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In The
Supreme Court of the United States

MITCHELL SCRUGGS, EDDIE SCRUGGS, SCRUGGS FARM & SUPPLIES, LLC, SCRUGGS FARM JOINT VENTURE, HES FARMS, INC., MES FARMS, INC., and MHS FARMS, INC.,

Petitioners,

v.

MONSANTO COMPANY,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI WITH APPENDIX

James L. Robertson
Counsel of Record
Meredith B. Aden
WISE CARTER CHILD & CARAWAY, P.A.
Post Office Box 651
Jackson, Mississippi 39205
(601) 968-5500

Counsel for Petitioners

THE LEX GROUP^{DC} • 1750 K Street N.W. • Suite 475 • Washington, DC 20006
(202) 955-0001 • (800) 815-3791 • Fax: (202) 955-0022 • www.thelexgroupdc.com

QUESTIONS PRESENTED

1. Whether, as the Federal Circuit held, the grants of Monsanto's patents, that only cover herbicide tolerant and insect resistant biotech trait products, extend to and exclude a farmer's use of separate unpatented seed products, when the farmer bought that seed from another company and no Monsanto patent claims that seed.

2. Whether and to what extent, if any, after creating a system in which biotech traits and seeds are separate products, and in which the farmer owns the unpatented seed products bought from a separate seed company, Monsanto, holding patents claiming only biotech trait products, may, consistent with valid and enforceable state law of personal property, interfere with the farmer's use and enjoyment of such unpatented seed products and their progeny, which under state law the farmer owns.

3. Whether, as the Federal Circuit held, Monsanto, a firm with real monopoly power in cotton and soybean trait ***and*** seed product markets, may misuse its patents to eradicate the centuries old economically viable, price constraining and socially useful practice of farmers saving and replanting seed, for the purpose of, and with the effect of, enhancing the profits of its 300 plus trait licensee Seed Partners.

4. Whether, as the Federal Circuit held, Monsanto may misuse its patents by enforcing license restrictions upon its 300 plus trait licensee Seed Partners to cartelize seed markets and control "channels of trade" in unpatented seed products, thereby excluding the competition of other trait products.

5. Whether, as explained by the dissent in the Federal Circuit, the holding of *Fed. Trade Comm'n v. Ind. Fed'n Dentists*, 476 U.S. 447, 461 (1986) that

anticompetitive practices are not immune from antitrust scrutiny just because they are consistent with other law, should be extended to include such practices where imposed by a patent holder with real monopoly power.

LIST OF PARTIES

The parties below are listed in the caption.

RULE 29.6 STATEMENT

Pursuant to Rule 29.6, Petitioners Mitchell Scruggs and Eddie Scruggs state that they are farmers who have done business as Scruggs Farm Joint Venture, Scruggs Farm & Supplies, LLC, HES Farms, Inc., MES Farms, Inc., and MHS Farms, Inc. No parent company or pubicly held company owns 10% or more of the stock of any of the companies previously listed.

TABLE OF CONTENTS

Page

QUESTIONS PRESENTED i

LIST OF PARTIES iii

RULE 29.6 STATEMENT iv

TABLE OF CONTENTS v

TABLE OF AUTHORITIES vii

OPINIONS BELOW 1

JURISDICTIONAL STATEMENT 2

STATUTORY PROVISIONS INVOLVED 2

Title 15 United States Code, Section 1
Trusts, etc., in restraint of trade illegal; penalty 2

Title 15 United States Code, Section 2
Monopolizing trade a felony; penalty 2

Title 15 United States Code, Section 15(a)
Suits by persons injured 3

Title 35 United States Code, Section 271
Infringement of patent 3

STATEMENT OF THE CASE 4

REASONS FOR GRANTING THE WRIT 7

A Case of Property Rights in Collision 7

This Case Is as Far Beyond *Chakrabarty* and *J.E.M.* as Monsanto's Practices Are Beyond the Grant of Its Biotech Trait Patents 9

History, Logic, Fairness and the Public Interest Counsel a Grant of Certiorari 14

What Gives Monsanto the Right to Convert the Non-Transgenic Germplasm That Constitutes 99% of the Farmer's Naturally Produced New Seeds? 15

Monsanto's Marketing Model Shows How to Treat Traits and Seeds as Separate Products 17

Monsanto Expressly Eschews Viable Less Restrictive Alternatives Which It Actively Practices in Other Countries, Proving It Does Not Need the Sweeping Patent Grant Approved by the Federal Circuit 18

Monsanto Misuses Its Patents to Enhance Monopoly Power and Further Undergird Its Seed Cartel 19

Why It's Now or Never For the Seed Saving Farmer 22

CONCLUSION 24

APPENDIX

TABLE OF AUTHORITIES

Page(s)

CASES

Asgrow Seed Co. v. Winterboer,
513 U.S. 179 (1994) 15

Aspen Skiing Co. v. Aspen Highlands Skiing Corp.,
472 U.S. 585 (1985) 12-13

Carbice Corp. of Am. v. Am. Patents Dev. Corp.,
283 U.S. 27 (1931) 13

Diamond v. Chakrabarty,
447 U.S. 303 (1980) 9

Eastman Kodak Co. v. Image Technical Serv., Inc.,
504 U.S. 451 (1992) 19

Ethyl Gasoline Corp. v. United States,
309 U.S. 436 (1940) 12

Fed. Trade Comm'n v. Ind. Fed'n Dentists,
476 U.S. 447 (1986) 13

Gray v. Baker,
485 So. 2d 306 (Miss. 1986) 8

Gen. Talking Pictures Corp. v. W. Elec. Co.,
305 U.S. 124 (1938) 10

Hattiesburg Grocery Co. v. Robertson,
89 So. 369 (Miss. 1921) 8

Ill. Tool Works, Inc. v. Indep. Ink, Inc.,
126 S. Ct. 1281 (2006) 20

In Re Trantham,
304 B.R. 298 (B.A.P. 6th Cir. 2004) 23

In Re Yarn Processing Patent Validity Litig.,
541 F.2d 1127 (5th Cir. 1976) 21

J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int'l, Inc.,
534 U.S. 124 (2001) 9

Jefferson Parish Hosp. Dist. No. 2 v. Hyde,
466 U.S. 2 (1984) 19

Mannington Mills, Inc. v. Congoleum Indus., Inc.,
610 F.2d 1059 (3d Cir. 1979) 21

Medimmune, Inc. v. Genetech, Inc.,
127 S. Ct. 764 (2007) 9

Miss. Power & Light Co. v. Blake,
109 So. 2d 657 (Miss. 1959) 8

Monsanto Co. v. Bandy, et al.,
No. 04cv00708ERW (E.D. Mo. filed 2004) 10

Monsanto Co. v. McFarling,
302 F.3d 1291 (Fed. Cir. 2002), *cert. denied*,
537 U.S. 1232 (2002) 9, 15

Monsanto Co. v. McFarling,
363 F.3d 1336 (Fed. Cir. 2004), *cert. denied*,
545 U.S. 1139 (2005) 7, 9, 16, 23

Monsanto Co. v. Ralph,
382 F.3d 1374 (Fed. Cir. 2004) 23

Monsanto Co. v. Scruggs, et al.,
342 F. Supp. 2d 568 (N.D. Miss. 2004) 1

Monsanto Co. v. Scruggs, et al.,
342 F. Supp. 2d 584 (N.D. Miss. 2004) 1

Monsanto Co. v. Scruggs, et al.,
342 F. Supp. 2d 602 (N.D. Miss. 2004) 1

Monsanto Co. v. Scruggs, et al.,
459 F.2d 1328 (Fed. Cir. 2006) 1, 2

Motion Picture Patents Co. v.
Universal Film Mfg. Co.,
243 U.S. 502 (1917) 12

Nat'l Life Ins. Co. v. Crosby,
870 So. 2d 1175 (Miss. 2004) 8

N.Y. Trust Co. v. Eisner,
256 U.S. 345 (1921) 14

Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.,
324 U.S. 806 (1945) 13

Scheiber v. Dolby Labs., Inc.,
293 F.3d 1014 (7th Cir. 2002) 9, 17

Sullivan v. Nat'l Football League,
34 F.3d 1091 (1st Cir. 1994), *cert. denied*,
513 U.S. 1190 (1995) 19

Stratemeyer v. Monsanto Co.,
No. 02-CV-505 (S.D.Ill. March 28, 2005) 23

Union Nat'l Life Ins. Co. v. Crosby,
870 So. 2d 1175 (Miss. 2004) 8

United States v. Gen. Elec. Co.,
272 U.S. 476, (1926) 10, 23

United States v. Grinnell Corp.,
384 U.S. 563 (1966) 19

United States v. Microsoft Corp.,
No. 98-1232, 1998 WL 614485
(D.D.C. Sept. 14, 1998) 19

United States v. Microsoft Corp.,
253 F.3d 34 (D.C. Cir. 2001) 13, 18, 20

United States v. Socony-Vacuum Oil, Co.,
310 U.S. 150 (1940) 22

STATUTES

7 U.S.C. § 2543 15

15 U.S.C. § 1 2

15 U.S.C. § 2 2

15 U.S.C. § 15(a) 2, 3

15 U.S.C. § 26 2

28 U.S.C. § 1254(1) 2

28 U.S.C. § 1292(a)(1) 2

28 U.S.C. § 1292(c)(2) 2

28 U.S.C. § 1331 2

28 U.S.C. § 1337 2

28 U.S.C. § 1338 2

35 U.S.C. § 112 9

35 U.S.C. § 271 3

35 U.S.C. § 271(a) 3, 8, 16, 17

35 U.S.C. § 271(d)(5) 3, 13

35 U.S.C. § 283 23

35 U.S.C. § 284 23

RULES

SUP. CT. R. 10(a) 13

SUP. CT. R. 10(c) 11, 12

FED. R. CIV. P. 26(a)(2)(B) 7

FED. R. EVID. 702 7

OTHER AUTHORITIES

2A Philip A. Areeda & Herbert J. Hovenkamp, *Antitrust Law* ¶ 501, 90 and 1505 (2d ed. 2002) .. 19, 20

Center for Food Safety, *Monsanto vs. U. S. Farmers* (2005) 22

Daniel Charles,
Lords of the Harvest: Biotech, Big Money & the Future of Food (2001). 17

Jeremy P. Oczek,
In the Aftermath of the "Terminator" Tech. Controversy: Intellectual Prop. Prot. for Genetically Engineered Seeds & the Right to Save & Replant Seed, 41 B. C. L. Rev. 627, 647 (2000) 14

Lara E. Ewens,
Seed Wars, 23 B.C. Int'l & Comp. L. Rev. 285, 286 (2000) 14

U. S. Dept. of Justice & Fed. Trade Comm'n,
Antitrust Guidelines for the Licensing of Intellectual Property, § 4.2 (1995) 19

U. S. Patent No. X72 (issued March 14, 1794) 16

U. S. Patent No. 5,164,316
(issued November 17, 1992) 4

U. S. Patent No. 5,196,525 (issued March 23, 1993) 4, 9

U. S. Patent No. 5,196,938 (issued March 23, 1993) ... 4, 10

U. S. Patent No. 5,352,605 (issued October 4, 1994) 4, 9

U. S. Patent No. 5,633,435 (issued May 27, 1997) 4

OPINIONS BELOW

On August 16, 2006, the Court of Appeals for the Federal Circuit affirmed, vacated and remanded the judgment of the District Court for the Northern District of Mississippi granting summary judgment for Respondent on all counts. The Court's Memorandum Opinion appears at *Monsanto Co. v. Scruggs, et al.*, 459 F.2d 1328 (Fed. Cir. 2006). App. 1. Subsequently, on December 4, 2006, the Court of Appeals for the Federal Circuit denied the Petitioners' timely Motion for Rehearing, or in the Alternative, for Rehearing en Banc. App. 102.

On November 5, 2004, the United States District Court for the Northern District of Mississippi entered final judgment on Petitioners' antitrust and common law counterclaims, dismissing all counterclaims with prejudice. App. 30. On November 4, 2004, the District Court also issued a permanent injunction against Petitioners. App. 28.

On July 6, 2004, the District Court entered its Order granting summary judgment in favor of Respondent on Petitioners' antitrust counterclaims and filed its Memorandum Opinion granting summary judgment, found at *Monsanto Co. v. Scruggs*, 342 F. Supp. 2d 568 (N.D. Miss. 2004). App. 76, 101. On July 6, 2004, the Court entered its Order granting summary judgment on Respondent's patent infringement claims and filed its Memorandum Opinion granting summary judgment, found at *Monsanto Co. v. Scruggs et al.*, 342 F. Supp. 2d 584 (N.D. Miss. 2004). App. 44, 75. On July 7, 2004, the District Court entered its Order granting summary judgment for Respondent on Petitioners' common law counterclaims and filed its Memorandum Opinion granting summary judgment, found at *Monsanto Co. v. Scruggs et al.*, 342 F. Supp. 2d 602 (N.D. Miss. 2004). App. 31, 43.

JURISDICTIONAL STATEMENT

On August 16, 2006, the Court of Appeals for the Federal Circuit affirmed, vacated and remanded the judgment of the District Court for the Northern District of Mississippi granting summary judgment for Respondent on all counts. The Court's Memorandum Opinion appears at *Monsanto Co. v. Scruggs, et al.*, 459 F.2d 1328 (Fed. Cir. 2006). App. 1. Subsequently, on December 4, 2006, the Court of Appeals for the Federal Circuit denied the Petitioners' timely Motion for Rehearing, or in the Alternative, for Rehearing en Banc. App. 102.

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

The jurisdiction of the Court of Appeals was invoked under 28 U.S.C. §§ 1292(a)(1), 1292(c)(2).

The jurisdiction of the District Court was invoked under 15 U.S.C. §§ 15(a) and 26; and 28 U.S.C. §§ 1331, 1337, and 1338.

STATUTORY PROVISIONS INVOLVED

Title 15 United States Code, Section 1

Trusts, etc., in restraint of trade illegal; penalty

> Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal. . . .

Title 15 United States Code, Section 2

Monopolizing trade a felony; penalty

> Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or

with foreign nations, shall be deemed guilty of a felony, ...

Title 15 United States Code, Section 15(a)

Suits by persons injured

(a) Amount of recovery; prejudgment interest

Except as provided in subsection (b) of this section, any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. . . .

Title 35 United States Code, Section 271

Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

* * * * *

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: . . .

* * * * *

(5) conditioned the license of any rights to the patent or the sale of the patented

> product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

STATEMENT OF THE CASE

Respondent Monsanto bought United States Patents Nos. 5,164,316, 5,196,525 and 5,196,938 ["the McPherson patents"], C.A. App. 87-122,[1] which had been issued to co-inventors in British Columbia in 1992-94. The McPherson patents protect Monsanto's Bollgard insect resistant cotton trait product. In October 1994, the United States Patent and Trademark Office issued Patent No. 5,352,605, C.A. App. 123-62, covering Monsanto's Roundup Ready herbicide tolerant cotton and soybean trait product.

Combining strategic acquisitions and restrictive licenses with all domestic seed companies, restraints on trade, natural and erected barriers to entry, research restrictions, tying arrangements and other anti-competitive practices, Monsanto has since acquired indisputable monopoly power in the American soybean and cotton trait and seed markets, while also cartelizing seed markets, causing demonstrable antitrust injury to these markets, including Petitioners and so many other market participants. C.A. App. 21427-36, 21546-52.

In 1996, cartelmeister Monsanto created a new distribution system for its patented trait products, functionally different and economically separate from the seed companies' distribution system for their seed products. Monsanto licensed its patented trait products directly to the farmer, who paid Monsanto a technology

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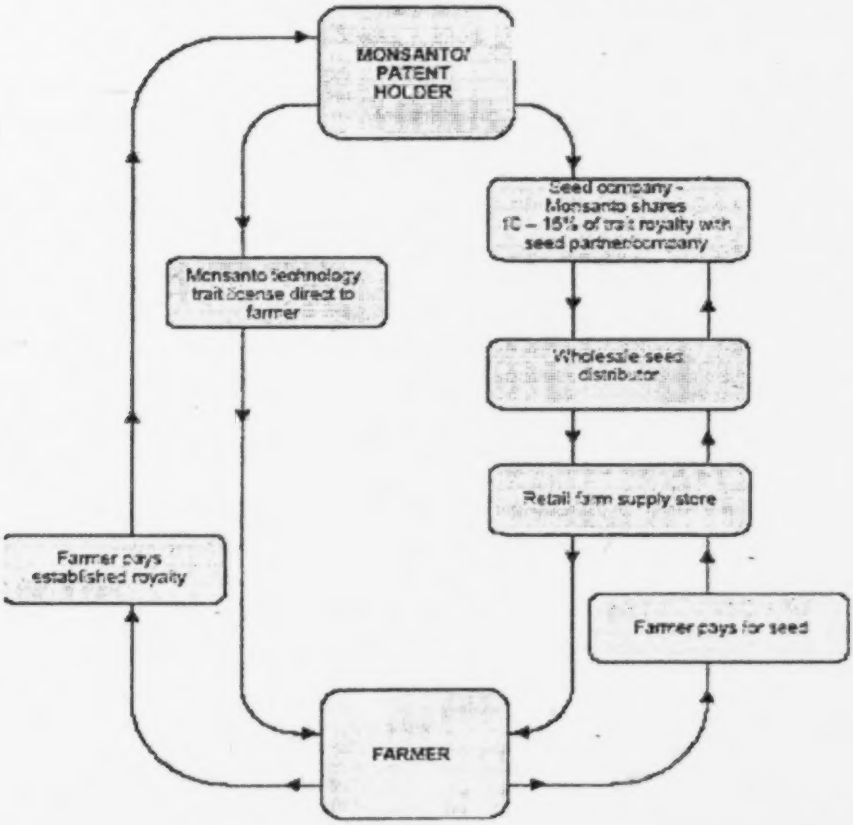
[1] The abbreviation "C.A. App." refers to the Joint Appendix filed in the U. S. Court of Appeals for the Federal Circuit.

fee. The seed company, as before, used traditional distribution channels ending with the farm supply store. As before, the farmer owned the non-transgenic germplasm in the seeds, and paid the seed company therefor. One important feature of this seed distribution chain is that revenues from sales of seeds stop with the seed company. Though known as a "Seed Partner" in Monsanto parlance, the seed company remits no part of seed sale revenues to Monsanto. This dual distribution system is shown as follows:

Monsanto's Dual Trait Licensing System



Before the 1996 crop year, Petitioners bought a small quantity of Asgrow 5601 Roundup Ready soybean seed from Seeds, Inc., a distributor for Asgrow Seed Co., then a free standing seed company and Monsanto trait licensee.

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C.A. App. 2353. Petitioners planted these soybeans, saved some from the harvest, and planted those saved seeds in succeeding years through 2000. C.A. App. 2353. In early 1998, Petitioners bought a limited quantity of Paymaster 1220 Bollgard Roundup Ready cottonseed produced by Delta & Pine Land Co. ["D&PL"] and which D&PL distributed through Bunch Farm Service. Petitioners planted these cottonseeds, saved some from the harvest, and planted those saved seeds in succeeding years through 2000. C.A. App. 2353.

On September 7, 2000, Respondent sued Petitioners in the United States District Court for the Northern District of Mississipppi, charging infringement of its four patents. Asgrow and D&PL did not join as plaintiffs. Petitioners denied validity and/or infringement, and asserted affirmative defenses, most prominently patent misuse, and counterclaims for Respondent's antitrust offenses. C.A. App. 6619-55.

Petitioners presented massive evidence of Monsanto's patent misuse, including exclusionary restraints on trade, impermissibly restrictive license agreements with its seed company Seed Partners [including Asgrow & D&PL], cartelization of cotton and soybean seed markets, trait-seed and trait-herbicide tying arrangements, and much more. Importantly, Petitioners showed that Monsanto had practical and significantly less restrictive alternatives which it practiced in Argentina, Brazil and the United Kingdom. Monsanto's own Grower Self Production studies showed the viability of such alternatives here.

Petitioners further showed Monsanto's extensive market power in national and regional trait and seed markets, all of which was substantially documented and explained in the aggregated work of nationally known antitrust economists, Ian Ayres of Yale, Peter Carstensen of Wisconsin, and Robert D. Tollison of Clemson, agricultural economist David Parvin of Mississippi State,

and rural sociologist Lawrence Busch of Michigan State. In reports easily satisfying FED. R. CIV. P. 26(a)(2)(B) and FED. R. EVID. 702, each expert presented his persuasive analysis, relying on extensive public documents, Monsanto's internal planning documents, Seed Partner licenses, Monsanto's form technology trait license agreements with farmers, intracompany communications, and much more.

Monsanto's practices injured markets. Between 1996 and 2003, for example, Monsanto had reduced total soybean acreage planted in farmer saved seed from 20% to below 10%. C.A. App. 21280. A price constraining secondary market was cut in half. Statistically significant increases on the prices of non-transgenic soybeans and cotton seeds, directly attributed to Monsanto's cartelization of these seed markets, are shown by three of Petitioners' economist experts. C.A. App. 21442-43, 27276-313; also, C.A. App. 16596-615, 16667-69.

The record closed in the Spring of 2004. Between June 16, 2004 and July 7, 2004, the District Court granted summary judgment for Respondent on all issues. Petitioners appealed to the U. S. Court of Appeals for the Federal Circuit, which affirmed with a 2-1 panel decision. Everything Respondent did was "a valid exercise of its rights under the patent laws," nor were there even questions of material fact, or so we were told. App. 19. This is consistent with the Federal Circuit's mistaken view in other similar cases, notably *Monsanto Co. v. McFarling*, 363 F.3d 1336 (Fed. Cir. 2004), *cert. denied*, 545 U.S. 1139 (2005) ("*McFarling II*").

REASONS FOR GRANTING THE WRIT

A Case Of Property Rights In Collision

This is a case about property rights in collision. Of right, Respondent Monsanto claims the right to exclude others from its patented biotechnology trait products. On

its face, the law grants that right. 35 U.S.C. § 271(a). Petitioners Scruggs claim the right to be free from interference with their use and enjoyment of personal property they own — the unpatented germplasm they bought from seed companies, and their saved seed — a function of their stewardship of each year's naturally reproducing germplasm. On its face, state law grants that right, *e.g.*, *Gray v. Baker*, 485 So. 2d 306, 308 (Miss. 1986) (rights in private "property extend to the right to refuse to sell . . . .").

> [B]y virtue of the ownership of property one has the right of possessing, enjoying, and using this property in every lawful manner in which he sees proper, and that as a necessary incident to the ownership of this property he has the right to rent, lease, or cultivate the property, if it be land, and that all of these rights are mere incidents of ownership. . . .

Hattiesburg Grocery Co. v. Robertson, 89 So. 369 (Miss. 1921). At the very least, where a firm acting under a public franchise, Cf. Monsanto, takes private property, it must pay fair value therefor. *See*, *e.g.*, *Miss. Power & Light Co. v. Blake*, 109 So. 2d 657 (1959). The tort of conversion is also a part of Mississippi law. *Union Nat'l Life Ins. Co. v. Crosby*, 870 So. 2d 1175, 1181 (Miss. 2004).

The Federal Circuit woodenly enforces the patent right to exclude. It refuses to give the time of day to the farmer's right to use and enjoy his personal property, and to be free from interference therein. The Federal Circuit balks at requiring patentees to grant a compulsory license. It thinks nothing of allowing a patent holder to force destroy valuable personal property the farmer owns, and without compensation. This is disappointing. After all, Monsanto created the system in which patented traits and unpatented seeds are in every legal and economic sense two separate products. Nothing in the Supremacy

Clause precludes this Court from recognizing and respecting state personal property law in today's context.

Only this Court can provide the accommodation needed for the property rights here in collision. The tools for accommodation are readily available, e.g., a sensibly limited view of the reach of a patent grant and the law of patent misuse. Because today's patent holder has "real market power, not merely the technical monopoly (right to exclude) that every patent confers," *Scheiber v. Dolby Labs., Inc.*, 293 F.3d 1014, 1020 (7th Cir. 2002) (Posner, J.), the antitrust laws are also available. These tools must be brought to bear in the context of the practical realities of self-reproducing seeds, a context the Court may not escape, given *Diamond v. Chakrabarty*, 447 U.S. 303 (1980) and *J.E.M. Ag. Supply v. Pioneer Hi-Bred Int'l*, 534 U.S. 124 (2001).

This Case Is As Far Beyond *Chakrabarty* and *J.E.M.* As Monsanto's Practices Are Beyond The Grant Of Its Biotech Trait Patents

Chakrabarty held living organisms within the Patent Act. *J.E.M.* held "newly developed plant breeds" patentable. The inventions at issue are not plants or even seeds.[2] Monsanto's four patents claim ***only*** "chimeric genes," '605 patent, claim 1, "plant cells," '316 patent, claim 1, a "DNA construct," '525 patent, claim 1;

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[2] By way of contrast, *McFarling II* rests solely on Patent No. 5,633,435, ["'435 patent"] which does claim plants and seeds, as does *Monsanto Co. v. McFarling*, 302 F.3d 1291 (Fed. Cir. 2002), *cert. denied*, 537 U.S. 1232 (2002) ("*McFarling I*"), properly read. Below, the '435 patent faced an almost certain demise under an enablement and best mode attack under 35 U.S.C. § 112. Recognizing its deficiencies, Monsanto filed for reexamination of the '435 patent with the United States Patent and Trademark office, which reexamination is still pending. C.A. App. 25264. The District Court allowed Monsanto to withdraw the '435 patent from the line of fire under the practice this Court discredited in *Medimmune, Inc. v. Genetech, Inc.*, 127 S. Ct. 724 (2007). On remand, Monsanto withdrew the '435 patent in *McFarling* as well.

and "a chimeric transcription initiation region," '938 patent, claim 1.[3] When Monsanto's chimeric genes are inserted into a soybean plant cell, it becomes one of some 63,000 genes that make up the complex genome of that plant. Monsanto's genetically engineered genes contribute nothing to the germination, growth, maturation or seed production of the plant into which they are inserted. The only utility of Monsanto's genetic traits is to make the plant, as distinguished from weeds or other competing vegetation, resistant when the farmer sprays his fields with a glyphosate based herbicide,[4] or, in the case of cotton, insect resistant.

Monsanto is entitled only to that "which is reasonably within the reward which the patentee by the grant of the patent is entitled to secure." *United States v. Gen. Elec. Co.*, 272 U.S. 476, 489 (1926). But unlike the restrictions in *Gen. Talking Pictures Corp. v. W. Elec. Co.*, 305 U.S. 124, 127 (1938), Monsanto's conditions, requiring forced destruction of valuable second generation seeds, are demonstrably not "of that character." Despite the narrow claims and the narrow function of the claimed invention, the Federal Circuit allowed Monsanto to exclude third

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[3] The question whether a patent which explicitly claims seed would be within the scope of Monsanto's patent grants is a question for the next case, as there is no remaining patent in this case which claims any seeds.

[4] The leading glyphosate based herbicide has long been Monsanto's Roundup branded herbicide. In its technology license agreements with Roundup Ready farmers in 1996-98, Monsanto imposed an absolute tie of its Roundup herbicides to its Roundup Ready trait products. Monsanto's ***multi-year 1998 agreement*** states, "if a herbicide containing the same active ingredient as Roundup Ultra herbicide (or one with a similar mode of action), is used over the top of Roundup Ready crops, you agree to use only Roundup branded herbicide." C.A. App. 309. These 1998 MTAs "remain[] in effect until . . . terminate[d]," C.A. App. 309, C.A. App. 29681, 31439-43, and remain in effect today, C.A. App. 29541-43, as Monsanto admitted in 2004. See *Monsanto v. Bandy, et al.*, 04cv00708ERW (E.D. Mo. 2004), Complaint, C.A. App. 31123-36, at ¶42.

party use of the other 62,999 genes in seed cells (a) owned by the farmer, (b) covered by no patent, (c) the product of the farmer's stewardship of the naturally occurring reproduction of seeds sold by separate seed companies, who are Monsanto's biotech trait licensees, and (d) bought by farmers through distribution channels altogether separate from Monsanto's direct trait license to farmers. Within SUP. CT. R. 10(c), the super elastic reach given Monsanto's biotech patents generates questions of federal law never considered here, and of increasingly crucial public importance.

Beginning in 1996, cartelmeister Monsanto established a dual distribution system in which, "*The farmer owns the seed, and Monsanto owns the technology.*" Monsanto Marketing Report, July 9, 1999. C.A. App. 21017. With patents before it claiming only genetic material, and not seeds, the Federal Circuit still upheld Monsanto's destruction of an economically viable, price constraining and socially useful secondary market in unpatented farmer saved seeds. In 1999, Monsanto candidly told USDOJ it was only in the "trait market" – "market for genetically engineered (i.e., transgenic) traits that are incorporated in [soybeans and cotton] seeds sold by. . . [others]." Monsanto Co.'s Memorandum in Support of Proposed Acquisition of Delta & Pine Land Co., January 11, 1999, C.A. App. 17101. Monsanto added that "Competition . . . is waged not only between the various cottonseed companies but also between cottonseed companies and farmer saved seed. The availability of farmer saved seed constrains the price of new seed." Supplemental Expert Report of Mississippi-based agricultural economist, David Parvin, Ph.D., Part I, filed April 18, 2003 ("Parvin Supp. I"), C.A. App. 16486.

Of right, Monsanto may charge its established royalty for each year's commercial use whether the transgenic seeds the farmer plants are new or saved. Under the Federal Circuit's view, trait-only patents mean farmers

must eschew the traditional practice of planting seed saved from a prior year's crop. Instead, farmers must buy from separate seed companies expensive new unpatented seeds each year, and thereby shore up Monsanto's efficient seed cartel. America's farmers need this Court's review of this demonstrably damaging premise, and a reasoned elaboration of the legal points the Federal Circuit so misapprehends.

Monsanto's "no replant" policy binds millions of farmers, more than enough for monopoly level market shares. C.A. App. 21217, 21336, 30629, 30690, 30745, 30861. Monsanto's separate seed cartel, created and controlled through its restrictive license agreements with its "Seed Partners," exceeds the grants of and/or misuses its four patents, and, within SUP. CT. R. 10(c),

(a) builds upon a patent monopoly "for the exploitation of an unpatented article, . . . [and] for the exploitation or promotion of a business not embraced within the patent," impermissibly extending the biotech trait patentee's control to downstream and separate seed markets, as condemned in *Ethyl Gasoline Corp. v. United States*, 309 U.S. 436, 459 (1940);

(b) impermissibly enforces license restrictions upon its 300 plus trait licensee "Seed Partners" — "everybody who is anybody"[5] in the seed business — controlling "channels of trade" in unpatented seed products, excluding the competition of other trait products, and giving patentee Monsanto "potential power for evil over an industry," as condemned in *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 519 (1917);

(c) is a "monopolist['s] elect[ion] to make an important change in a pattern of distribution that had originated in a competitive market.. . ." condemned in *Aspen Skiing Co.*

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[5] This statement was made by Monsanto's Dave Rhylander during deposition testimony. C.A. App. 21017.

v. Aspen Highlands Skiing, Inc., 472 U.S. 585, 603 (1985); and

(d) is a misuse of patents, *Carbice Corp. of Am. v. Am. Patents Dev. Corp.*, 283 U.S. 27, 30-31 (1931), and market power in trait and seed markets, 35 U.S.C. § 271(d)(5), as Respondent Monsanto

(i) ties its patented herbicide tolerant and insect resistant trait products to separately sold, priced and marketed seed products; and

(ii) ties its Roundup herbicides with its Roundup Ready trait product, forestalling competition in glyphosate herbicides markets and injuring Petitioners, contrary to *Fed. Trade Comm'n v. Ind. Fed. Dentists*, 476 U.S. 447, 465 (1986); *see* Judge Dyk's dissent to the Fed. Cir. opinion. App. 24-27.

The Federal Circuit has approved Monsanto's claim that its patent grants have a vacuum cleaner-like sweep, powerful and broad enough to allow it to enforce trait licenses that control the making and use of non-patented seed germplasm which is functionally different and economically distinct from Monsanto's patented trait products. Within SUP. CT. R. 10(a), this is in direct conflict with *United States v. Microsoft Corp.*, 253 F.3d 34, 89, 90 (D.C. Cir. 2001), which holds that separate product status does not change just because "the tied good [has been] physically and technologically integrated with the tying good."

At the end of the day, the Federal Circuit disregards this Court's admonition that the "public [has] a paramount interest in seeing that patent monopolies spring from backgrounds free from . . .inequitable conduct and that such monopolies are kept within their legitimate scope." *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945).

History, Logic, Fairness And The Public Interest Counsel A Grant Of Certiorari

As price-takers for inputs and outputs, biotech trait farmers are trapped in the cost-price squeeze of the technology treadmill.[6] Seed saving farmers will gladly pay Monsanto's trait fees each year. They need relief from paying the seed company too — relief in the form of the farmer's traditional option of planting seeds saved from last year's crop.

A wise Justice once wrote that "a page of history is worth a volume of logic." *N.Y. Trust Co. v. Eisner*, 256 U.S. 345, 349 (1921), and that is certainly so "[u]pon this point." *Id.* History tells us that seed saving was a cornerstone of American farming history, culture and practice before the Mayflower landed in 1620[7] and continued so until Monsanto's rude intervention in 1996. The promotion of farmer saved seed has been a formal part of U. S. public policy for well over 150 years. There is good reason why it should be ever thus.

It is a great irony that the United States Patent and Trademark Office, under whose authority Monsanto now wreaks havoc on seed saving farmers, was once at the forefront of implementing national policy that encouraged seed saving. "Beginning in 1839, through the Patent Office, the Government distributed small packets of seed to farmers at no charge. The packets were far too small

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[6] Expert Report of Prof. Lawrence Busch, filed April 18, 2003, C.A. App. 18102-24; Parvin Supp. I., C.A. App. 16451-54; Expert Report of Prof. Peter Carstensen, filed February 14, 2002, C.A. App. 17528.

[7] Seed saving dates back to the time when "agriculture began over 10,000 years ago." Lara E. Ewens, *Seed Wars*, 23 B.C. Int'l & Comp. L. Rev. 285, 286 (2000). "Ever since humans began the transition from nomadic herders to farmers, saving seed for planting the following year's crop has been a basic tenet in the practice of agriculture." Jeremy P. Oczek, *In the Aftermath of the "Terminator" Tech. Controversy: Intellectual Prop. Prot. for Genetically Engineered Seeds & the Right to Save & Replant Seed*, 41 B. C. L. Rev. 627, 647 (2000).

to permit growth of a significant crop; rather it was intended that farmers would grow and multiply the seeds provided so as to create a crop of significant size in the second or third season. By 1849 the Patent Office was sending 60,000 packages of seed to farmers each year. By 1897 the Department of Agriculture was distributing over one billion packets per year."[8]

In 1994, Congress protected seed savers consistent with the intellectual property rights of seed breeders. 7 U.S.C. § 2543; *Asgrow Seed Co. v. Winterboer*, 513 U.S. 179, 188 (1994). No act of Congress has ever repealed the pro-saved seed public policy of the United States. Seed saving has been a price constraining and socially useful practice. C.A. App. 18078-101 [Busch]. Monsanto has destroyed it.

What Gives Monsanto The Right To Convert The Non-Transgenic Germplasm That Constitutes 99% Of The Farmer's Naturally Produced New Seeds?

The Federal Circuit's affirmance rests on its view that "the no replant policy simply prevents purchasers of the seeds from using the patented biotechnology when that biotechnology makes a copy of itself." App. 18-19. This proves too much. The entire seed, including the patented genetic material inserted therein, copies itself repeatedly almost from the moment the seeds are placed in the ground. Farmers may "agree[] to use the purchased seed for the purpose of growing crops and not for the purpose of producing new seed," *McFarling I*, 302 F.3d at 1298, but it is Botany 101 that there is no way a farmer can grow crops of cotton and soybeans ***without producing new seeds!*** The practical question crying out for this Court's consideration is, what is to be done with the other 62,999 genes in each cell in each soybean seed which is going to be produced whether Monsanto or the farmer

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[8] Expert Report of Prof. Lawrence Busch ("Busch Rpt."), filed April 18, 2003, C.A App. 18080.

wants it to happen or not? What of the farmer's personal property rights in those other 62,999 genes in each cell in each such soybean?

Cotton sharpens the point. The commercially valuable crop is cotton lint, which is harvested, baled, and processed into the clothes we wear. But, whether Monsanto likes it or not, each stalk of cotton produces bolls containing lint ***and seeds***.[9] While Monsanto may "own" the chimeric gene, DNA construct, CaMV35S enhancer sequence, and transcription initiation region, C.A. App. 97-98, 109-10, 121-22, 161-62, the farmer owns the remaining 99+% of each cotton seed so produced. Monsanto does not object to farmers feeding these seeds to livestock. This is a recognition of the farmer's property right to use the seeds, and the modified genes are used in exactly the same way as the other 99+%. Monsanto does not object to the farmer selling saved cotton seeds to the oil mill, though there is no way around the fact that this is a sale within 35 U.S.C. § 271(a), because the farmer has no way of extracting the patented genetic material before the sale.

The seed saving farmer owns the seeds he produced by his resourcefulness from seeds he bought and paid for. The problem is that Monsanto's patent right to exclude — to refuse to license, if you will, *McFarling II*, 363 F.3d at 1342 — excludes the farmer from devoting the other 99+% of ***his*** seeds to their most valuable use. The farmer accepts that he must pay Monsanto for each year's commercial use of the patented self-replicating biotechnology, but that is all. Otherwise, ***Monsanto has converted the farmer's personal property***, *viz.*, the

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[9] Every school child knows the story of one of the great inventions in American history: Eli Whitney's invention of the cotton gin, for which he received a patent on March 14, 1794, later given Patent No. X72. The problem solved by Whitney's invention was the efficient separation of the seeds from the lint, seeds, of course, that were a natural and inevitable yield of every cotton boll on every cotton stalk that ever bloomed.

valuable germplasm the farmer paid for, produced, and is forced to destroy or devote to an infinitely less valuable use. One way out might be that Monsanto pays the farmer conversion damages. The point for the moment, of course, is that farmers desperately need this Court's sensible construction and application of 35 U.S.C. § 271(a) to self-replicating genetically modified seeds.

Monsanto's Marketing Model Shows How To Treat Traits And Seeds As Separate Products

Monsanto has shown the practical way out of this box by treating the self-replicating biotechnology traits and self-replicating seeds as separate products, with "separate prices as in the canonical tying cases." *Scheiber*, 293 F.3d at 1020. One of these products is patented; the other is not. "When the farmers arrived at a seed dealer to buy some Roundup Ready soybeans, they ended up concluding two separate transactions. They bought the seed from the dealer just as they always had. But now they also signed a technology agreement: the license that governed their use of the Roundup Ready gene contained in that seed."[10] The farmer pays the seed company for the seeds, the unpatented product; he pays Monsanto the established trait royalty for each year's commercial use of the patented product, the Roundup Ready and/or Bollgard trait. At the end of the day, the farmer owns the seed; Monsanto owns the biotechnology traits. C.A. App. 21017.

The Monsanto-created practical way out brings us face-to-face with the Federal Circuit's conflict with the D. C. Circuit. The Federal Circuit holds the claims of a patented product can legally exclude others from use of a separate unpatented product, where the two are physically conjoined. The Federal Circuit has refused to recognize the sensible premise that separate product

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[10] Daniel Charles, *Lords of the Harvest: Biotech, Big Money & the Future of Food*, 152-52 (2001).

status does not change just because, for example, "the tied good [was] physically and technologically integrated with the tying good," *Microsoft*, 253 F.3d at 89, 90. The question is increasingly crucial in the age of bio and information technology. Certiorari should be granted, so that this Court may resolve the conflict.

Monsanto Expressly Eschews Viable Less Restrictive Alternatives Which It Actively Practices In Other Countries, Proving It Does Not Need The Sweeping Patent Grant Approved By the Federal Circuit

A further dimension of the core question is whether Monsanto, possessing demonstrable monopoly power but ***without*** a patent legitimately claiming plants or seeds, may with impunity refuse to practice viable less restrictive alternatives. Such alternatives include allowing farmers to save seed and pay a fee for each year's commercial use of Monsanto's transgenic trait products. Monsanto's Antitrust Slides presented at June 3, 2004 hearing, C.A. App. 30349-55. But Monsanto actively practices these alternatives in other countries with varying levels of legal protection for intellectual property, *viz.*, Argentina, Brazil and United Kingdom. In Argentina farmers pay an "extended royalty." Monsanto's Saved Seed Extended Royalty System in Argentina, C.A. App. 28433-42. In Brazil, the grain dealers buy soybeans from the farmers and deduct Monsanto's royalties from payments made to the farmer. Brazil Value Capture Program, Monsanto Co. Reports Second Quarter 2004 Results, C.A. App. 20516-19. In the United Kingdom, seed cleaners collect the royalties from the farmers who bring in their saved seeds for cleaning and processing. Parvin Supp. I, C.A. App. 16489-96; Supplemental Expert Report of Ian Ayres, Ph.D., filed April 15, 2003 ("Ayres Supp."), C.A. App. 21448-50; Busch Rpt. C.A. App. 18087-88. Monsanto's Grower Self-Production studies in November of 2000 and January of

2002 show the viability of this less restrictive alternative here. C.A. App. 16018-20, 19752-54, Ayres Supp. C.A. App. 21448-51. Monsanto chose instead to eliminate competition from non-patented farmer saved seed. Busch Rpt. C.A. App. 18085.

Because of its demonstrable monopoly power[11] in trait and seed markets, Monsanto must pursue viable less restrictive alternatives, absent a substantial business justification for not doing so. *Sullivan v. Nat'l Football League*, 34 F.3d 1091, 1103 (1st Cir. 1994), *cert. denied*, 513 U.S. 1190 (1995); 2A Philip A. Areeda & Herbert J. Hovenkamp, *Antitrust Law* ¶ 1505 (2d. ed. 2002); *see also United States v. Microsoft*, No. 98-1232, 1998 WL 614485, at *14 (D.D.C. Sept. 14, 1998). "The existence of practical and significantly less restrictive alternatives is relevant to a determination of whether a restraint is reasonably necessary." United States Dept. of Justice & Fed. Trade Comm'n, *Antitrust Guidelines for the Licensing of Intellectual Property*, § 4.2 (1995).

Monsanto Misuses Its Patents To Enhance Monopoly Power And Further Undergird Its Seed Cartel

Monsanto intentionally structured its trait licencing program to buy loyalty from its Seed Partners, enhancing Seed Partner profits from products not within any patent protection, at the expense of the American farmer. Monsanto's resulting power in the United States soybean and cotton seed markets is staggering, and so is the evidence of Monsanto's power in every product and

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[11] An ordinary market participant may do what becomes illegal and actionable when pursued by a monopolist. *United States v. Grinnell Corp.*, 384 U.S. 563, 570-71 (1966); *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 13-14 (1984); *Eastman Kodak Co. v. Image Technical Serv., Inc.*, 504 U.S. 451, 488-89 (1992) (Scalia, J., dissenting). In its conduct outside the claims of its patents, Monsanto is subject to the antitrust laws the same as any other firm.

geographic submarket the mind can imagine.[12] The evidence in the record easily satisfies the Rule of Reason. *See, e.g., Ill. Tool Works, Inc. v. Indep. Ink, Inc.*, 126 S. Ct. 1281 (2006).

For example, Monsanto controls overwhelming market shares in domestic cotton and soybean seed and trait markets, exceeding 75% and approaching 90%.[13] Bollgard ["BG"] has no competitor insect resistant cotton trait.

Monsanto prices its technology significantly above cost. Supplemental Report of Carstensen, dated April 18, 2003, C.A. App. 17554-66, 13672. Monsanto's trait technology fees are monopoly prices. Ayres Rpt., C.A. App. 17152-17156. Pricing substantially above the competitive level shows market power. *Microsoft*, 253 F.3d at 51; 2A Philip A. Areeda & Herbert J. Hovenkamp, *Antitrust Law* ¶ 501, 90 (2d ed. 2002). Monsanto raised its RR soybean trait fee/royalty (1) in 1999, ***by 30%*** from $5.00 to $6.50 per 50 pound bag, and (2) in 2002, ***by another 19.2%*** from $6.50 to $7.75 per 50 pound bag. In 1999 and 2002, Monsanto's market shares for RR trait

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[12] Four expert economists with differing credentials and fields of interest independently investigated, found, documented and explained Monsanto's abundant monopoly/market power in their various expert reports. These are:

- M.I.T. Ph.D. antitrust economist Ian Ayres, C.A. App. 17120-21, 17130-42, 17152, 17155, 21489-91.
- Cartel specialist Robert Tollison, with antitrust enforcement experience in Republican administrations, C.A. App. 21534, 21537, 21542, 21545-46, 21549.
- Antitrust economist Peter Carstensen, with enforcement experience with Federal Trade Commission and a special interest in agricultural markets, C.A. App. 17519-17527, 17553-17575, 17558-75.
- Mississippi based agricultural economist David Parvin, C.A. App. 16471-78, 16498-501, 16524-25.

[13] The record closed before 2004 data became available.

and RR soybeans ***also increased***, as they did in each year since 1996, and no new entrants appeared. Parvin Supp. I., C.A. App. 16475-78, Supplemental Expert Report of Tollison, dated April 18, 2003, C.A. App. 13936.

Cartelmeister Monsanto controls seed markets through its Seed Partner license agreements plus "[A]ny third party clauses" making Seed Partners impose core use restrictions downstream. Account Agreement between Seeds, Inc. and Pioneer Hi-Bred, Int'l, C.A. App. 19817; Parvin Supp. I., C.A. App. 16457; Parvin Supp. II, C.A. App. 16502; Jeff Fletcher Declaration, October 23, 2003, C.A. App. 24510-30; *e.g.*, Pioneer Direct Account Agreement, C.A. App. 20641-43.

The Federal Circuit's immunization of Monsanto's seed cartel is directly at odds with principles accepted in two other circuits. In the Third Circuit, an anticompetitive "license restriction [that] . . . primarily. . . benefits . . . the licensees [Seed Partners] rather than the patentee [Monsanto], . . . cannot be justified as a subsidy for the patentee's inventive activity. . . [and] there is no sound reason to immunize the patentee's conduct . . . ." *Mannington Mills, Inc. v. Congoleum Indus., Inc.*, 610 F.2d 1059, 1071 (3d Cir. 1979). "A principal evil of the restrictive licensing scheme was that it . . . permitt[ed] non-patentee refiners to benefit from the existence of a retail price cartel." *Id.* at 1072. In contrast to the Federal Circuit, the Fifth Circuit has recognized that a patent holder's allocation of royalty benefits to licensees is not protected by the Patent Act. *In Re Yarn Processing Patent Validity Litig.*, 541 F.2d 1127, 1136 (5th Cir. 1976).

Once the Court articulates the fundamental legal premises upon which Petitioner requests certiorari, the Court below on remand should have no trouble, given the extensive "rule of reason" showings in the record that Monsanto's restraints of trade, monopolization, cartel

behavior[14] and tying arrangements[15] are both patent misuse and/or antitrust offenses.

Why It's Now Or Never For The Seed Saving Farmer

Monsanto has been suing seed saving farmers right and left for some ten years now. This was well documented in the Center For Food Safety's ("CFS") report, *Monsanto vs. U. S. Farmers*, Jan. 2005, available at http://www.centerforfoodsafety.org/Monsantovsussfarmersreport.cfm.

Using the '605 and other patents, Monsanto has filed over 90 lawsuits against American farmers for alleged patent infringement. CFS, *Monsanto vs. U. S. Farmers*, 4 (2005). These lawsuits have involved at least 147 farmers and 39 small businesses or farm companies, and have been directed at farmers in half of the states. *Id.* Two years ago, recorded judgments granted to Monsanto totaled $15,253,602.82. *Id.* at 34. This is but the tip of the iceberg.

It has been five years since the number of infringement claims Monsanto had made hit 450. Almost

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[14] Prof. Robert D. Tollison studies cartel behavior. He shows that Monsanto has cartelized the soybean and cotton seed markets, C.A. App. 21546-52, 21555, with predictable competitive injury. C.A. App. 21541. Prof. Ian Ayres makes an equally convincing case, C.A. App. 17146-52, as does Prof. Peter Carstensen, C.A. App. 17576-17609. Of course, cartels are ***per se*** illegal. *United States v. Socony-Vacuum Oil Co.*, 310 U.S. 150, 223-24 (1940).

[15] Prof. Lawrence Busch explains Monsanto's ***twelve pronged*** trait-glyphosate tie — the 1996-98 tie to farmers is but one prong — strategy for holding its glyphosate market share at supra-monopoly levels. C.A. App. 18124-47. Prof. Peter Carstensen confirms Prof. Busch's findings, C.A. App. 17584-88, 17570-74, and Monsanto's anticompetitive contractual restraints. C.A. App. 17584-88, 17610-14. Prof. David Parvin further documents the trait-herbicide tie, C.A. App. 16504-13, 16671-73, as do antitrust economists Ian Ayres, C.A. App. 17150, and Robert Tollison, C.A. App. 21540-41, 21560-61, all easily enough to avoid summary judgment.

without exception, these are David and Goliath claims. Patent infringement claims are not ordinary tort cases where the defendant faces the prospect of paying damages to make the plaintiff whole. Monsanto begins with a damages model which puts its damages at ***five times*** its actual losses. *See, e.g., Monsanto Co. v. Ralph*, 382 F.3d 1374 (Fed. Cir. 2004). After that, Monsanto piles on with claims for treble damages, prejudgment interest, and attorneys fees. 35 U.S.C. §§ 283, 284. One District Judge aptly called these "the scorched-earth policies used by Monsanto in enforcing the single use restriction . . . ." *Stratemeyer v. Monsanto Co.*, No. 02-CV-505 (S.D.Ill. March 28, 2005) at 3-4.

Farmers sued by Monsanto quickly find themselves in a "you bet your farm" circumstance. To defend, the farmer must incur great legal expense, including substantial expert witness fees. Not in ten years has a farmer been able to mount a defense such as Petitioners'. Only *Monsanto Co. v. McFarling* has made its way to the cert petition stage. The practical economics of litigating with Monsanto have forced all others to settle on the best terms possible or quit and/or try to take bankruptcy. *E.g., In Re Trantham*, 304 B.R. 298 (B.A.P. 6th Cir. 2004).

On their face, Monsanto's anticompetitive practices seem jarringly at odds with settled patent misuse and antitrust jurisprudence. It certainly seems well beyond that "which is reasonably within the reward which the patentee by the grant of the patent is entitled to secure." *Gen. Elec.*, 272 U.S. at 489. One would have thought no patent holder vested with the right to destroy valuable uses of personal property owned by third persons, who bought and paid for that non-patented personal property. With respect, the American farmer is entitled to this Court's reasoned elaboration whether these are so. This case just might be this Court's last best chance to respond.

CONCLUSION

Petitioners respectfully request that the writ of certiorari to the Court of Appeals for the Federal Circuit be granted.

Respectfully submitted,

/s/ James L. Robertson
JAMES L. ROBERTSON
Mississippi Bar No. 5612
MEREDITH B. ADEN
Mississippi Bar No. 101172
Wise Carter Child & Caraway, P.A.
Post Office Box 651
Jackson, Mississippi 39205-0651
Telephone: (601) 968-5500
Facsimile: (601) 968-5593
E-mail: jlr@wisecarter.com

OF COUNSEL:

WISE, CARTER, CHILD & CARAWAY, P. A.
Post Office Box 651
Jackson, Mississippi 39205
Telephone: (601) 968-5500
Facsimile: (601) 968-5593

APPENDIX

TABLE OF CONTENTS
Appendix to Petition

Page

Opinion of
The United States Court of Appeals
For the Federal Circuit
entered August 16, 2006 1

Permanent Injunction Order of
The United States District Court
For the Northern District of Mississippi
(Monsanto's Patent Infringement Claims)
entered November 5, 2004 28

Final Judgment Order of
The United States District Court
For the Northern District of Mississippi
(Scruggs' Antitrust and Common Law Claims)
entered November 5, 2004 30

Memorandum Opinion of
The United States District Court
For the Northern District of Mississippi
(Scruggs' Common Law Claims)
entered July 7, 2004 31

Order of
The United States District Court
For the Northern District of Mississippi
Re: Granting Monsanto's Motion for Summary Judgment on Counts One, Two, Three, Four, Nine, Ten, Eleven and Twelve of Scruggs' Counterclaims
(Scruggs' Common Law Claims)
entered July 7, 2004 43

Memorandum Opinion of
The United States District Court
For the Northern District of Mississippi
(Monsanto's Patent Infringement Claims)
entered July 6, 2004 44

Order of
The United States District Court
For the Northern District of Mississippi
Re: Granting Monsanto's Motion for Summary Judgment on Counts Two, Three, Four, Five and Eight of Monsanto's Complaint
(Monsanto's Patent Infringement Claims)
entered July 6, 2004 75

Memorandum Opinion of
The United States District Court
For the Northern District of Mississippi
(Scruggs' Antitrust Claims)
entered July 6, 2004 76

Order of
The United States District Court
For the Northern District of Mississippi
Re: Granting Monsanto's Motion for Summary Judgment on Counts Six, Seven, Eight and Nine of Scruggs' Counterclaim
(Scruggs' Antitrust Claim)
entered July 6, 2004 101

Order of
The United States Court of Appeals
For the Federal Circuit
Re: Denying Petition for Rehearing and Petition for Rehearing *En Banc*
entered December 4, 2006 102

Judgment of
The United States Court of Appeals
For the Federal Circuit
entered December 11, 2006 104

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

04-1532, 05-1120, -1121

MONSANTO COMPANY,

Plaintiff-Appellee,

v.

MITCHELL SCRUGGS, EDDIE SCRUGGS, SCRUGGS FARM & SUPPLIES, LLC, SCRUGGS FARM JOINT VENTURE, HES FARMS, INC., MES FARMS, INC., and MHS FARMS, INC.,

Defendants-Appellants.

[Entered: August 16, 2006]

Seth P. Waxman, Wilmer Cutler Pickering Hale and Dorr LLP, of Washington, DC, argued for plaintiff-appellee. With him on the brief was Paul R.Q. Wolfson. Of counsel on the brief was Joseph C. Orlet. Husch & Eppenberger, LLC, of St. Louis, Missouri.

James L. Robertson. Wise, Carter, Child & Caraway, P.A., of Jackson, Mississippi, argued for defendants-appellants. With him on the brief was Meredith B. Aden.

James L. Jones, Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C, of Jackson, Mississippi for amicus curiae Shea Leatherman d/b/a Riverfield Farms. With him on the brief was Bradley S. Clanton.

Christopher P. Murphy. Arent Fox PLLC, of Washington, DC, for amicus curiae The Biotechnology Industry Organization. With him on the brief was Amy E.L. Schoenhard.

E. Anthony Figg, Rothwell Figg Ernst & Manbeck P.C., of Washington, DC, for amicus curiae Delta and Pine Land Company. With him on the brief were Jeffrey L. Ihnen and Barbara Webb Walker. Of counsel on the brief was Jerome C. Hafter, Phelps Dunbar, of Jackson, Mississippi.

Gary Jay Kushner, Hogan & Hartson L.L.P., of Washington, DC, for amicus curiae American Seed Trade Association. With him on the brief were Lorane F. Hebert and Ryan D. Shadrick.

Sondra Simpson McLemore. Special Assistant Attorney General for the State of Mississippi, of Jackson, Mississippi, for amicus curiae State of Mississippi. With her on the brief was Jim Hood, Attorney General.

Joseph Mendelson III, Center for Food Safety, of Washington, DC, for amicus curiae Center for Food Safety.

Mark R. Patterson. Fordham University School of Law, of New York, New York, for amicus curiae American Antitrust Institute.

Appealed from: United States District Court for the Northern District of Mississippi Judge W. Allen Pepper, Jr.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

04-1532, 05-1120, -1121

MONSANTO COMPANY,

Plaintiff-Appellee,

v.

MITCHELL SCRUGGS, EDDIE SCRUGGS, SCRUGGS FARM & SUPPLIES, LLC, SCRUGGS FARM JOINT VENTURE, HES FARMS, INC., MES FARMS, INC., and MHS FARMS, INC.,

Defendants-Appellants.

DECIDED: August 16, 2006

Before MAYER, BRYSON, and DYK, Circuit Judges.

Opinion for the court filed by Circuit Judge MAYER. Concurring in part and dissenting in part opinion filed by Circuit Judge DYK.

MAYER, Circuit Judge.

Mitchell Scruggs; Eddie Scruggs; Scruggs Farm & Supplies, LLC; Scruggs Farm Joint Venture; HES Farms, Inc.; MES Farms, Inc.; and MHS Farms, Inc. (collectively "Scruggs") appeal the judgment of the United States District Court for the Northern District of Mississippi granting Monsanto Company's ("Monsanto's") motions for summary judgment of patent invalidity and infringement, Monsanto Co. v. Scruggs, 342 F. Supp. 2d 584 (N.D. Miss. 2004) ("Summary Judgment I"); antitrust violations and patent misuse, Monsanto Co. v. Scruggs, 342 F. Supp. 2d 568 (N.D. Miss. 2004) ("Summary Judgment II"); and common law counterclaims of, inter alia, tortious interference, unfair competition, and invasion of privacy, Monsanto Co. v.

Scruggs, 342 F. Supp. 2d 602 (N.D. Miss. 2004). Additionally, Scruggs appeals the trial court's order granting Monsanto a permanent injunction. Monsanto Co. v. Scruggs, No. 3:00CV161-P-D (N.D. Miss. Nov. 4, 2004) (order granting permanent injunction). We affirm, vacate, and remand.

Background

Monsanto owns U.S. Patent No. 5,352,605 ("the '605 patent"), which is directed toward insertion of a synthetic gene consisting of a 35S cauliflower mosaic virus ("CaMV") promoter, a protein sequence of interest, and a stop signal, into plant DNA to create herbicide resistance. Monsanto also owns U.S. Patent Nos. 5,164,316; 5,196,525; and 5,322,938 (collectively "the McPherson patents"), which are directed toward insect resistant traits. The McPherson patents expand upon the '605 patent in several ways, including disclosure of an enhanced CaMV 35S promoter.

Monsanto used the technology in the '605 patent to develop glyphosate herbicide resistant soybeans and cotton, sold as Roundup Ready (R) soybeans and cotton. One of the glyphosate herbicides to which the Roundup Ready (R) plants are resistant is Roundup, which is also sold by Monsanto. Monsanto used the '605 patent in combination with the McPherson patents to develop stacked trait cotton ("Bollgard/Roundup Ready (R) cotton"), which is resistant to glyphosate herbicide and certain insects.

Monsanto began licensing its biotechnology to seed companies ("seed sellers"); it licensed Roundup Ready (R) technology starting in 1996 and Bollgard/Roundup Ready (R) cotton technology starting in 1998. The licenses allow seed growers to incorporate the Monsanto biotechnology into their germplasm to produce Roundup Ready (R) and Bollgard/Roundup Ready (R) seeds. The licenses also impose certain restrictions on seed sellers,

including that seed companies may not sell seed containing Monsanto's technology to growers unless the grower signs one of Monsanto's license agreements; and that seed so sold may be used by growers to grow only a single commercial crop. Monsanto's restrictions on seed growers include: (1) requiring growers to use only seed containing Monsanto's biotechnology for planting a single crop ("exclusivity provision"); (2) prohibiting transfer or re-use of seed containing the biotechnology for replanting ("no replant policy"); (3) prohibiting research or experimentation ("no research policy"); and (4) requiring payment of a "technology fee."

Scruggs purchased both Roundup Ready (R) soybean seeds and Bollgard/Roundup Ready (R) cotton seeds from seed companies, but never signed a licensing agreement. It planted the purchased seeds, and after harvesting the soybeans and cotton, retained the new generation of seeds. Its subsequent crops were planted with those retained seeds, as well as with seeds obtained from subsequent generations of crops.

Monsanto investigated Scruggs' activities and filed suit for infringement of the '605 and McPherson patents. The trial court issued a preliminary injunction, prohibiting Scruggs from further sale and use of seeds containing Monsanto's patented biotechnology. Scruggs answered with federal and state antitrust claims and patent misuse affirmative defenses. Specifically, it asserted that Monsanto violated the Sherman Act, 15 U.S.C. §§ 1-2, by tying the purchase of seed to the purchase of Roundup through grower license agreements, grower incentive agreements, and seed partner license agreements, as well as by tying the Roundup and Bollgard traits in cotton seeds. It also asserted Monsanto violated section 2 of the Sherman Act by unlawfully monopolizing or attempting to monopolize a relevant market. Additionally, Scruggs asserted common law counterclaims of invasion of

privacy, trespass, tortious interference with contract and/or business relations, abuse of process, conversion, nuisance, strict liability in tort, negligence, and unfair competition.

Scruggs denied infringement and sought a declaration of invalidity of the '605 and McPherson patents. Monsanto moved for summary judgment on infringement, the antitrust and patent misuse defenses, and the common law counterclaims. Scruggs moved to vacate the preliminary injunction, and cross-moved for summary judgment. Monsanto's motions for summary judgment were granted, and Scruggs' motion to vacate the preliminary injunction was denied. The trial court then issued a permanent injunction and a final judgment. Proceedings on damages were stayed pending this appeal. We have jurisdiction pursuant to 28 U.S.C. § 1295(a).

Discussion

We review the trial court's grant of summary judgment de novo. See Caterpillar Inc. v. Sturman Indus., 387 F.3d 1358, 1373 (Fed. Cir. 2004). Summary judgment is appropriate "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). "With regard to 'materiality,' only those disputes over facts that might affect the outcome of the lawsuit under the governing substantive law will preclude summary judgment." Phillips Oil Co. v. OKC Corp., 812 F.2d 265, 272 (5th Cir. 1987).

I. Infringement

Infringement occurs when a properly construed claim reads on the accused product. Atlas Powder Co. v. E.I. du Pont & Co., 750 F.2d 1569, 1579 (Fed. Cir. 1984).

In this case, Monsanto must show that its Roundup Ready (R) and Bollgard/Roundup Ready (R) seeds are covered by the '605 and/or McPherson patents and that Scruggs used those seeds in a way that violated Monsanto's patent rights. Affirmative defenses to infringement include noninfringement, unenforceability, invalidity (e.g., failing to satisfy the written description or enablement requirements), 35 see U.S.C. § 282, patent misuse, see Senza-Gel Corp. v. Seiffhart, 803 F.2d 661 (Fed. Cir. 1986), and the existence of an implied license, see Carborundum Co. v. Molten Metal Equip. Innovations, 72 F.3d 872, 878 (Fed. Cir. 1995).

In granting Monsanto's motion for summary judgment of infringement, the trial court relied on Scruggs' admissions with respect to: (1) its purchasing of the Roundup Ready (R) soybeans and Bollgard/Roundup Ready (R) cotton; (2) its failing to obtain a license from Monsanto; and (3) its saving of soybean and cotton seed for future planting. Summary Judgment I 342 F. Supp. at 593-94. Additionally, the court pointed to Monsanto's scientific tests showing that Scruggs' soybean and cotton crops contained Monsanto's patented technology. Id. at 594.

Scruggs argued that: (1) neither Monsanto's biotechnology (Roundup Ready (R) soybeans and Bollgard/Roundup Ready (R) cotton) nor the plants in Scruggs' fields were covered by the patents-in-suit; (2) the promoter sequences in Monsanto's biotechnology did not match the sequences claimed in the '605 patent; and (3) Monsanto's test results should be disregarded for not complying with accepted scientific standards. The trial court rejected those arguments. Scruggs' affirmative defenses to infringement included: (1) lack of proper notice of the patents-in-suit; (2) the existence of an implied license to use the Monsanto technology; (3) the doctrine of patent exhaustion; (4)

violation of the Plant Variety Protection Act; (5) patent misuse; and (6) patent invalidity.

With respect to the implied license affirmative defense, the trial court found that Scruggs had "no reasonable expectation that they could use Monsanto's patented biotechnology unless they first obtained a license" and, therefore, had no implied license. Id. at 598. Next, the court found the patent exhaustion defense inapplicable because Monsanto never made an unrestricted sale of its biotechnology. Id. at 598-99. Finally, it rejected Scruggs' remaining affirmative defenses.

On appeal, Scruggs again argues that the patent claims do not read on its plants, that Monsanto's test results showing that Scruggs' soybean and cotton crops contained Monsanto's Roundup Ready (R) and Bollgard technology should be disregarded, that the patent exhaustion doctrine applies, and that Scruggs had an implied license.

With respect to the argument that the claims in the '605 patent do not read on the Roundup Ready (R) seeds, Scruggs specifically argues that the CaMV 35S promoter sequence in Roundup Ready (R) soybeans is different from and shorter than the promoter from the CM4-184 strain of the CaMV noted in the '605 patent; therefore, the '605 patent does not cover the Roundup Ready (R) biotechnology. However, the specification in the '605 patent states that different strains of CaMV may be used in the invention. The fact that the promoter in the Roundup Ready (R) soybeans differs from the CM4-184 CaMV strain mentioned in the '605 patent specification by a few dozen nucleotides is, therefore, not disparities. Moreover, Scruggs does not appeal the trial court's claim construction of the '605 patent as covering "a promoter element selected from the group consisting of either a 35S cauliflower mosaic virus promoter or a 19S

cauliflower mosaic promoter ..." Id. at 591. Thus, the court's finding that the '605 patent employs the promoter from CaMV generally, and not just that in the CM4-184 strain, must stand. In addition, the promoter used in Roundup Ready (R) seeds matches published sequence information about the CaMV 35S promoter, which is incorporated by reference into the '605 patent, and therefore is covered by the patent. Finally, Scruggs' argument that the promoter in Roundup Ready (R) seeds is shorter than the promoter covered by the '605 patent fails because the deletions in the Roundup Ready (R) DNA are in the enhancer region of the DNA inserted into the cotton and soybean DNA, not in the promoter region. Accordingly, the Roundup Ready (R) seeds are covered by the '605 patent.

Scruggs also argues on appeal that Monsanto's test results showing that Scruggs' soybean and cotton crops contained Roundup Ready (R) and Bollgard technology should be disregarded for failing to use a negative control. However, it fails to point to any evidence contradicting Monsanto's results, which establish that its crops contain Monsanto's patented biotechnology. It merely presents hypothetical situations to suggest that Monsanto's test results could be flawed. Given the evidence in the record, hypotheses alone are insufficient to create a genuine issue of material fact.

In its brief, Scruggs attempts to incorporate by reference a portion of the supporting memorandum for summary judgment it submitted to the trial court. Those arguments also pertain to "deficiencies" in the testing done by Monsanto. However, argument by incorporation, such as by referring to a summary judgment memoranda for legal analysis, is a violation of Fed R. App. P. 28(a)(6). See Graphic Controls Corp. v. Utah Med. Prods., Inc., 149 F.3d 1382, 1385 (Fed. Cir. 1998). Therefore, those arguments are deemed waived. But even a casual

perusal shows they would fail for the same reasons they failed below: Scruggs' failure to point to evidence raising a genuine issue of material fact.

Scruggs argues that it purchased the Monsanto seeds in an unrestricted sale, and that it was therefore entitled to use those seeds in an unencumbered fashion under the doctrine of patent exhaustion. The first sale/patent exhaustion doctrine establishes that the unrestricted first sale by a patentee of his patented article exhausts his patent rights in the article. See Mallinckrodt, Inc. v. Medipart. Inc., 976 F.2d 700, 701 (Fed. Cir. 1992): see also LG Elecs., Inc. v. Bizcom Elecs., Inc., 2006 U.S. App. Lexis 16916, at *7-*8 (Fed. Cir. July 7, 2006). The doctrine of patent exhaustion is inapplicable in this case. There was no unrestricted sale because the use of the seeds by seed growers was conditioned on obtaining a license from Monsanto. Furthermore, the "'first sale' doctrine of exhaustion of the patent right is not implicated, as the new seeds grown from the original batch had never been sold." See Monsanto v. McFarling, 302 F.3d 1291, 1299 (Fed. Cir. 2002). Without the actual sale of the second generation seed to Scruggs, there can be no patent exhaustion. The fact that a patented technology can replicate itself does not give a purchaser the right to use replicated copies of the technology. Applying the first sale doctrine to subsequent generations of self-replicating technology would eviscerate the rights of the patent holder.

Scruggs also argues that it had an implied license to use Monsanto's technology. In order to establish an implied license, the "circumstances of the sale must 'plainly indicate that the grant of a license should be inferred.'" Met Coil Sys. Corp. v. Korners Unlimited. Inc., 803 F.2d 684, 686 (Fed. Cir. 1986) (citations omitted); see also LG Elecs., Inc., 2006 U.S. App. Lexis 16916, at *6-*7. It is undisputed that Monsanto requires all

licensees to place a notice on all bags of Roundup Ready (R) seeds stating that the seeds are covered by U.S. Patents, that the purchase of the seeds conveys no license, and that a license from Monsanto must be obtained before using the seeds. Therefore, the circumstances of the sale indicate that Scruggs had no implied license to use Monsanto's patented biotechnology. Furthermore, because the seed distributors had no authority to confer a right to use Monsanto's biotechnology, they could not confer any sort of license to use the seeds. See Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476 (1964) (a seller cannot confer broader rights via an implied license than it has been granted by the patent holder).

II. Validity

To satisfy the written description requirement of 35 U.S.C. § 112 for inventions pertaining to DNA, a patent must provide "sufficiently detailed, relevant identifying characteristics . . . i.e., complete or partial structure, other physical and/or chemical properties, functional characteristics when coupled with a known or disclosed correlation between function and structure, or some combination of such characteristics." Enzo Biochem Inc., v. Gen-Probe Inc., 323 F.3d 956, 964 (Fed. Cir. 2002) (citation omitted). However, neither a specific DNA sequence nor a biological deposit is required to meet a written description requirement if the biological material is known and readily available to the public. Id. at 965. "[R]eference in the specification to a deposit in a public depository, which makes its contents accessible ... constitutes an adequate [written] description ..." Id. The written description requirement helps to ensure that the patent applicant actually invented the claimed subject matter and was in possession of the patented invention at the time of filing. Univ. of Rochester v. G.D. Searle & Co., 358 F.3d 916, 926 (Fed. Cir. 2004), rehearing denied 375 F.3d 803, cert denied 543 U.S. 1015 (2004). Because

a patent carries a statutory presumption of validity, 35 U.S.C. § 282, Scruggs has the burden of showing by clear and convincing evidence, after all reasonable inferences are drawn in its favor, that the '605 and McPherson patents are invalid, see WMS Gaming. Inc. v. Int'l Game Tech., 184 F.3d 1339, 1355 (Fed. Cir. 1999).

Scruggs argued patent invalidity to the trial court as a defense to infringement and asserted that the patents-in-suit fail the written description requirement for not disclosing specific gene sequences in the text of the patents. The court found, however, that there was no need for specific gene sequences to be disclosed because the patents do not cover one particular gene sequence and because the patent specifications "clearly describe promoters already known to those skilled in the art." Summary Judgment I, 342 F. Supp. 2d at 601. The trial court also concluded that Scruggs failed to meet its burden of proof by presenting insufficient evidence from which a reasonable fact finder could find lack of enablement.

Scruggs again asserts on appeal that the '605 and McPherson patents are invalid for failing to satisfy the written description requirement. With respect to the '605 patent, it says that Monsanto should have been required to include a specific DNA sequence for the promoter or that, at a minimum, Monsanto should have offered a reason why it did not include specific promoter sequences in the '605 patent. These arguments are unsupported in law. At the time of the '605 patent application, those of ordinary skill in the art knew the DNA sequences of several strains of the CaMV virus, the location of the CaMV promoters, and the DNA sequences for several CaMV 35S promoters. Given the knowledge in the art, it was unnecessary for the '605 patent to include specific gene sequences when referring to the CaMV 35S promoter to meet the written description requirement. Nor is there a requirement that a patent holder justify

its decision to omit specific sequence information from a patent. The written description requirement was satisfied because the '605 patent incorporates by reference deposits with the American Type Culture Center, which are publicly available. '605 patent col.5 ll.40-44.

With respect to the McPherson patents, Scruggs argues that they fail the written description requirement for the same reasons as it argues the '605 patent is invalid. Those arguments do not surmount Scruggs' burden of proof for the same reason its arguments with respect to the '605 patent fail. Scruggs also argues that the McPherson patents are invalid because they do not specifically identify enhancer sequences in the DNA and that the McPherson patents are "suspect" because the specifications are similar but the claims are different. Scruggs points to no evidence sufficient to meet its burden of proof with respect to invalidity. It states that it is unreasonable to claim a range of DNA sequences in the McPherson patents and seems to suggest that such a range should necessarily make them invalid for lack of a written description. No law supports this assertion. Scruggs fails to point to any evidence showing that McPherson did not possess the invention at the time of filing. See Vas-Cath Inc. v. Mahurkar, 935 F.2d 1555, 1561 (Fed. Cir. 1991). Furthermore, the argument that the McPherson patents are "suspect" for containing similar specifications is unsupported by requirements for written description. The patents are continuations or divisionals of a common parent application and therefore necessarily have almost identical specifications. Nothing about a continuation or divisional patent makes it inherently more likely to fail the written description requirement or changes the burden of proof with respect to proving invalidity.

Scruggs also asserts on appeal that the '605 patent is invalid for not satisfying the enablement requirement.

Under 35 U.S.C. § 112, a patent must "enable any person skilled in the art ... to make and use the [invention]" without undue experimentation. Chiron Corp. v. Genentech. Inc., 363 F.3d 1247, 1253 (Fed. Cir. 2004). It first argues that the '605 patent is not enabling because no particular gene sequence is claimed and because only one example of the entire genus of CaMV promoters is described in the specification. First, as discussed above, more than one example of CaMV is described; the patent, for instance, refers to biological deposits of the CaMV strains that can be obtained to make the invention. Moreover, because of the level of skill in the art and the publicly available information about CaMV, no specific gene sequence needed to be claimed for someone of ordinary skill in the art to understand how to make and use the invention. Scruggs also seems to argue that, at a minimum, one must disclose in the specification the exact DNA sequence of most species of the claimed genus. It is true that in some cases specific DNA sequences may be required to satisfy the enablement requirement, namely where the level of skill in the art is low and there is little publicly available information about that DNA. Here, however, specific sequences are not required because CaMV is well-known and well-documented. Scruggs presented insufficient evidence to demonstrate that others would have been unable to practice the claimed invention without undue experimentation. The fact that some experimentation may be necessary to produce the invention does not render the '605 patent invalid for lack of enablement. Id. Because Scruggs has failed to meet its burden of proof, it has not shown the '605 patent invalid for lack of enablement.

III. Antitrust/Patent Misuse

Antitrust laws may be violated if a patent holder's conduct falls outside the protection afforded by the patent laws. United States v. Line Material Co., 333

U.S. 287, 308 (1948). Under the patent laws, a patentee has the right to exclude others from making, using, or selling a patented invention. 35 U.S.C. § 154(a)(1). Conduct falling within the scope of protection includes, inter alia, limited use licensing, see Mallinckrodt, Inc. v. Medipart, Inc., 976 F.2d 700, 703 (Fed. Cir. 1992), and charging of royalties, Brulotte v. Thys Co., 379 U.S. 29 (1964). Field of use licensing restrictions, i.e., permitting the use of inventions in one field and excluding it in others, are also within the scope of the patent grant. See Gen. Talking Picture Corp. v. W. Elec. Co., 305 U.S. 124, 127 (U.S. 1938).

Under section 1 of the Sherman Act, "[e]very contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce ... is declared to be illegal." Tying arrangements fall under section 1 of the Sherman Act. "A tying arrangement is the sale or lease of one product on the condition that the buyer or lessee purchase a second product." Breaux Bros. Farms, Inc. v. Teche Sugar Co., Inc., 21 F.3d 83, 85 (5th Cir. 1994). To prove that a tying arrangement exists, the plaintiff must show: (1) the involvement of two separate products or services; (2) the sale of one product or service is conditioned on the purchase of another; (3) the seller has market power in the tying product; and (4) the amount of interstate commerce in the tied product is not insubstantial. Eastman Kodak Co. v. Image Tech. Serv., Inc., 504 U.S. 451,461-62(1992).

Under section 2 of the Sherman Act, unlawful monopolization is prohibited. To establish a section 2 violation, one must prove that the party charged had monopoly power in a relevant market and acquired or maintained that power by anti-competitive practices instead of by competition on the merits. Aspen Skiing Co. v. Aspen Highlands Skiing Corp., 472 U.S. 585, 596 (1985).

Patent misuse may be found even where there is no antitrust violation, because "[p]atent misuse is ... a broader wrong than [an] antitrust violation." C.R. Bard, Inc. v. M3 Sys., Inc., 157 F.3d 1340, 1372 (Fed. Cir. 1998). The "policy of the patent misuse doctrine is 'to prevent a patentee from using the patent to obtain market benefit beyond that which inures in the statutory patent right.'" Monsanto Co. v. McFarling, 363 F.3d 1336, 1341 (Fed. Cir. 2004) (quoting Mallinckrodt, 976 F.2d at 704 ("Monsanto II"). In order for competitive behavior to amount to patent misuse, one must "impermissibly broaden the scope of the patent grant with anticompetitive effect." Id. Thus, "[i]n the cases in which the restriction is reasonably within the patent grant, the patent misuse defense can never succeed." Id. Moreover, "[n]o patent owner otherwise entitled to relief ... shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having ... refused to license or use any rights to the patent ...." 35 U.S.C. § 271 (d).

At trial, Scruggs asserted that Monsanto's commercial practices violate federal and state antitrust laws, and constitute patent misuse. The specific practices it attacked were Monsanto's seed grower incentive programs, its seed partner license agreements, its grower license agreements, and its alleged refusal to sell Roundup Ready (R) cotton seeds without the Bollgard trait. Monsanto's grower license agreements include an exclusivity provision, a no replant policy, a no research policy, and the payment of a technology fee. Additionally, its grower license agreements between 1996 and 1998 stated that if a grower chose to use glyphosate herbicide in connection with Roundup Ready (R) seeds, then the grower must use Roundup ("1996 Roundup restriction"). At that time, Roundup was the only glyphosate herbicide approved by the Environmental Protection Agency for use with Roundup Ready (R) seeds. Monsanto's grower incentive agreements give participating seed growers

additional voluntary benefits if they choose to use Roundup herbicide exclusively on crops containing Monsanto's Roundup technology. Monsanto's seed partner agreements require seed growers who choose to use a glyphosate herbicide to use Roundup.

The trial court stated that Monsanto's no replant policy was not subject to challenge under the antitrust laws because the identical policy had been found valid and within its rights under the patent laws in Monsanto Co. v. McFarling, 363 F.3d 1336, 1343 (Fed. Cir. 2004). The court also found that the technology fees imposed by Monsanto were within the scope of its patent rights. Finally, the court found that the no research policy and Monsanto's refusal to allow seed partners to stack the Roundup Ready (R) trait with transgenic traits developed by competitors to be "field of use restrictions which fall within the scope of the patent monopoly [that] are, therefore, lawful." Summary Judgment II, 342 F. Supp. 2d at 575.

The trial court specifically addressed Scruggs' antitrust claims under section 1 of the Sherman Act, applying both per se and rule of reason analyses. In its per se analysis, the court found that the 1996 Roundup restriction did not constitute per se illegal tying; Roundup was the only EPA-approved product for use over the top of the Roundup seeds from 1996 to 1998, and only the licenses taken out during those years had the Roundup herbicide restriction. The court also found Monsanto's grower incentive agreements to be legal restraints because they simply give growers an incentive to choose Roundup herbicide and do not coerce them into purchasing it. Next, the court found that Scruggs failed to demonstrate that Monsanto forced seed partners to buy Roundup in order to obtain a license. The court stated that if the seed partner agreements did amount to a tie, per se treatment was not appropriate. Finally, it found that Scruggs failed to prove Monsanto

illegally tied the Roundup Ready (R) trait to the Bollgard trait in cotton. The court stated that the record did not support the claim that Monsanto "engineered a shortage of single trait cotton seed which 'forced' growers to buy stacked trait seed .. .." Id. at 579.

Under its rule of reason analysis, the trial court also found the evidence Scruggs presented with respect to the tying claims insufficient. Scruggs argued that Monsanto's binding of dealers in downstream markets to the same restrictions it imposes on its seed partners (in a "third party clause") was a violation of section 1 of the Sherman Act, as were the grower incentive agreements. The court found that the third party clause was a valid restriction because limited use licenses are valid, and the third party clause simply amounted to a limited use. Additionally, the court held that the grower incentive agreements were valid; the provisions were merely financial incentives and "d[id] not foreclose competition in a substantial share of the relevant product market(s)." Id. at 581.

The trial court also found that: (1) Scruggs' evidence was insufficient with respect to proving a violation of section 2 of the Sherman Act for unlawful monopolization or attempted monopolization; (2) because there was no federal antitrust violation, the alleged state antitrust violations could also be dismissed on summary judgment; and (3) patent misuse was inapplicable because Monsanto did not use its patents to impermissibly broaden the scope of its patent grant.

On appeal, Scruggs reasserts that the exclusivity provision, no replant policy, and technology fee payments required by Monsanto's licensing agreements with seed growers are illegal anticompetitive practices. Monsanto has a right to exclude others from making, using, or selling its patented plant technology, see Brulotte, 379 U.S. at 29-30, and its no replant policy

simply prevents purchasers of the seeds from using the patented biotechnology when that biotechnology makes a copy of itself. This restriction therefore is a valid exercise of its rights under the patent laws. Furthermore, Monsanto's uniform technology fee is essentially a royalty fee, the charging of which is also within the scope of the patent grant. Lastly, the no research policy is a field of use restriction and is also within the protection of the patent laws.

Scruggs also argues on appeal that Monsanto ties the purchase of its seed to the purchase of Roundup through grower license restrictions, grower incentive agreements, and seed partner agreements. It asserts that Monsanto unlawfully ties the Roundup Ready trait to the Bollgard trait in cotton seeds. It does not point to sufficient evidence to establish that Monsanto's behavior constitutes illegal tying. The grower incentive program was optional, not coerced. Additionally, Monsanto's seed partners were not forced to buy Roundup under the seed partner agreements. Furthermore, there is no merit to the argument that Monsanto illegally tied the sale of cotton containing the Roundup Ready (R) gene to the sale containing the Bollard trait; Monsanto sells cotton without the Bollgard trait and there is no evidence that Monsanto engineered a shortage of Roundup Ready (R) cotton.

Lastly, Scruggs asserts that the trial court's decision should be sent back for a separate patent misuse analysis, because the burden of proving patent misuse is lower. However, patent misuse covers only activity falling outside of the patent grant, and Scruggs did not point to any activity falling outside Monsanto's patent.

The dissent argues that Federal Trade Commission v. Indiana Federation of Dentists, 476 U.S. 447 (1986), and Fashion Originators' Guild of America, Inc. v.

Federal Trade Commission, 312 U.S. 457 (1941), compel a finding of patent misuse; they do not. In those cases, the antitrust defendants argued that their anticompetitive conduct should be excused on the ground that it provided benefits and furthered a public policy unrelated to competition. The Supreme Court rejected those arguments, holding that collusive agreements between competitors do not become lawful simply because they may have some other beneficial effects. In this case, Monsanto does not argue that it should escape a finding of patent misuse because its contract provisions protected the public or furthered EPA policy; rather, Monsanto's argument is that its contract provisions lacked any anticompetitive effect because EPA's regulations prohibited growers from using competing glyphosate herbicides for over-the-top application. Therefore, even if growers elected to use such herbicides for over-the-top application, they would not be legally free to use competing brands. As the trial court noted, the record supports Monsanto's argument; Scruggs has not pointed to any evidence to the contrary. The record shows that Monsanto's competitors sought and obtained regulatory approval and that when they did, Monsanto modified its contracts accordingly. In this unusual setting, the rule of reason applies to the defense of patent misuse based on the alleged tying arrangement, and under the rule of reason, Scruggs is required to show that the challenged contracts had an actual adverse effect on competition. See U.S. Philips Corp. v. Int'l Trade Comm'n, 424 F.3d 1179, 1185 (Fed. Cir. 2005). Scruggs did not do so and therefore cannot use the challenged contract provisions as a defense against Monsanto's patent infringement claims. Therefore, Monsanto's behavior did not constitute patent misuse.

IV. Common Law Counterclaims

Scruggs attempts to appeal the trial court's findings with respect to tortious interference, unfair competition, and invasion of privacy. In order for this court to reach the merits of an issue on appeal, it must be adequately developed. See Graphic Controls, 149 F.3d at 1385; United States v. Elder, 90 F.3d 1110, 1118 (6th Cir. 1996). Argument by incorporation, such as by referring to a summary judgment memoranda for legal analysis in an appellate brief, is a violation of Fed R. App. P. 28(a). Rothe Dev. Corp. v. Dep't of Def., 413 F.3d 1327, 1339 (Fed. Cir. 2005). Moreover, merely stating disagreement with the trial court does not amount to a developed argument. See, e.g., Anderson v. City of Boston, 375 F.3d 71, 91 (1st Cir. 2004). Here, Scruggs failed to develop its arguments and attempted to make arguments by incorporation in its brief. These arguments are therefore deemed waived.

V. Permanent Injunction

eBay Inc. v. MercExchange, L.L.C., 126 S. Ct. 1837 (2006), requires courts to consider the standard four part test for permanent injunctions in patent cases and reverses this court's traditional rule that "courts will issue permanent injunctions against patent infringement absent exceptional circumstances[,]" MercExchange, L.L.C. v. eBay Inc., 401 F.3d 1323, 1339 (Fed. Cir. 2005). Therefore, we vacate the trial court's decision with respect to the permanent injunction and remand for reconsideration in light of the Supreme Court's eBay case.

Conclusion

Accordingly, the judgment of the United States District Court for the Northern District of Mississippi is affirmed. The order granting a permanent injunction is vacated and the case is remanded.

COSTS

Monsanto shall have its costs.

AFFIRMED, VACATED, AND REMANDED

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

04-1532, 05-1120, -1121

MONSANTO COMPANY,

Plaintiff-Appellee,

v.

MITCHELL SCRUGGS, EDDIE SCRUGGS, SCRUGGS FARM & SUPPLIES, LLC, SCRUGGS FARM JOINT VENTURE, HES FARMS, INC., MES FARMS, INC., and MHS FARMS, INC.,

Defendants-Appellants.

DYK, Circuit Judge, concurring in part and dissenting in part.

I join the majority opinion except for Part III, from which I respectfully dissent. Scruggs argues that Monsanto's grower license agreements between 1996 and 1998 unlawfully tied the purchase of Roundup herbicide to the purchase of Roundup ready seeds, and that this constituted patent misuse, rendering the patent unenforceable. The district court rejected this argument. In Part III, the majority also rejects this contention, on the ground that the agreements, in essence, merely enforced then-existing EPA regulations. See Ante at 14-15. With respect, I think that the district court's decision in this respect, approved by the majority, is contrary to Supreme Court precedent.

I

As a condition on the purchase of Roundup Ready seeds between 1996 and 1998, Monsanto required that growers execute a licensing agreement containing the following (or similar) language. "You [the grower] agree:

. . . [i]f a herbicide containing the same active ingredient as Roundup Ultra™ herbicide [glyphosate] (or one with a similar mode of action) is used over the top of Roundup Ready crops, you agree to use only Roundup® branded herbicide." J.A. at 309. Scruggs claims that this provision unlawfully tied the sale of Roundup brand glyphosate herbicides to the sale of Roundup Ready seeds.[1]

The district court held, and Monsanto agrees, that the provision was justified by the fact that Roundup was the only glyphosate herbicide approved by the EPA at that time for use "over the top" of crops. The district court concluded that "[b]ecause Roundup was the only product labeled for use 'over-the-top' of Roundup Ready crops between 1996 and 1998, it was the only EPA-approved herbicide that could be used on Roundup Ready crops during that period[,]" and thus that the "defendants . . . failed to meet their burden of producing significant probative evidence that Monsanto forced farmers who wanted to purchase Roundup Ready seeds to purchase Roundup as well." Monsanto Co. v. Scruggs, 342 F. Supp. 2d 568, 577 (N.D. Miss. 2004). The majority agrees. Ante at 15-16. I read the Supreme Court cases as to the contrary.

The Supreme Court has unequivocally held: "That a particular practice may be unlawful is not, in itself, a sufficient justification for collusion among competitors

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[1] The majority agrees that the patent misuse defense does not require a showing of antitrust standing. Ante at 14; see also 6 Chisum on Patents § 19.04[5], at 19-541 ("[I]t has been clear at least since Morton Salt that the individual defendant raising a [patent] misuse defense need not show that he was personally harmed by the abusive practice."); 6 Chisum on Patents § 19.04[5] nn.3-4 (collecting cases). Thus, the fact that Scruggs did not execute a grower licensing agreement containing the Roundup restriction is of no moment.

to prevent it." Fed. Trade Comm'n v. Ind. Fed'n of Dentists, 476 U.S. 447, 465 (1986).[2]

While the Supreme Court has not directly addressed this issue in the context of tying arrangements, I see no basis for applying a different rule or for justifying otherwise per se unlawful tying arrangements as designed to prevent illegal conduct. Monsanto urges that these cases are distinguishable because the competitors there sought to enforce state law, whereas here the tying arrangement is designed to enforce federal law. I see no basis for such a distinction. This is not a case in which federal law pervasively regulates, compels, or permits the allegedly anticompetitive conduct, which might create an implied antitrust immunity. See Billing v. Credit Suisse First Bos. Ltd., 426 F.3d 131, 164-65 (2d Cir. 2005).

II

Monsanto argues, however, that its licensing restrictions had no anticompetitive effect because the EPA regulations eliminated the possibility of competition in the market for glyphosate herbicides, the allegedly tied product. We faced a related contention in U.S. Philips Corp. v. International Trade Commission. 424 F.3d 1179 (Fed. Cir. 2005), where Philips' package patent

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[2] See Fashion Originators' Guild of Am., Inc. v. Fed. Trade Comm'n, 312 U.S. 457, 468 (1941) ("[E]ven if copying [of the Guild members' designs] were an acknowledged tort under the law of every state, that situation would not justify petitioners in combining together to regulate and restrain interstate commerce in violation of federal law."); see also Giboney v. Empire Storage & Ice Co., 336 U.S. 490, 496 ("[W]e have declared that violations of antitrust laws could not be defended on the ground that a particular accused combination would not injure but would actually help manufacturers, laborers, retailers, consumers, or the public in general."); Int'l Harvester Co. v. Missouri, 234 U.S. 199, 209 (1914) ("It is too late in the day to assert against statutes which forbid combinations of competing companies that a particular combination was induced by good intentions.").

licensing arrangements were challenged as impermissible ties. We held that the agreements were not per se unlawful, because there was no evidence of "commercially feasible" alternatives to the technology enabled by the allegedly tied patents in the relevant market. Thus "packaging those patents together with so-called essential patents can have no anticompetitive effect in the marketplace, because no competition for a viable alternative product is foreclosed." Id. at1194.[3]

This case is distinguishable. This is not a situation in which there were no commercially feasible alternatives. There was evidence that manufacturers produced products that could have been used "over the top," and that all that was lacking was regulatory approval. In other words, Monsanto's tying arrangements here did no more than enforce a regulatory requirement. Substantial competitive risks inhere in such an arrangement. Potential competitors are potentially discouraged from seeking regulatory approval or attempting to have the regulation modified or eliminated. To the extent that such efforts are discouraged, the proponent of the tie has succeeded in eliminating competition.

Moreover, in this connection it is highly significant that Monsanto's grower license agreements did not simply require the use of a government-approved herbicide; they explicitly required the use of "Roundup branded herbicide." A potential herbicide competitor thus would be concerned that, even if it secured government approval of its product, use of the approved herbicide would still be barred under the contracts. The elimination of such potential competition is not permissible under the antitrust laws.

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[3] Even then the court held that the arrangements might violate the antitrust laws under a rule of reason analysis. Id. at 1197.

III

The district court did not make a finding as to Monsanto's market power in the alleged tying product. III. Tool Works, Inc. v. Indep. Ink, Inc.. — U.S. —, 126 S. Ct. 1281, 1293 (2006); see Monsanto Co., 342 F. Supp. 2d at 575-80. I would vacate the judgment as to the alleged tie in the 1996-1998 grower agreements, and remand for the district court to determine whether the relevant contract provision in fact constituted patent misuse and, if misuse occurred, whether it was purged. See Senza-Gel Corp. v. Seiffhart, 803 F.2d 661, 668 n.10 (Fed. Cir. 1986).

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI
WESTERN DIVISION

MONSANTO COMPANY PLAINTIFF

VERSUS CIVIL ACTION NO. 3:00CV161-P-D

MITCHELL SCRUGGS, et al DEFENDANTS

[Entered: November 5, 2004]

PERMANENT INJUNCTION

On July 6, 2004, this Court entered an Order granting Monsanto's Motion for Summary Judgment on Counts Two, Three, Four, Five and Eight of Plaintiff's Third Amended Complaint (Monsanto's Patent Infringement Claims). For good cause shown, and after finding irreparable harm absent a permanent injunction prohibiting further infringing activities:

IT IS, HEREBY ORDERED that each and every defendant and any entity in which any defendant currently or in the future has any participation and all persons acting on their behalf are:

(a) PROHIBITED from all current and future purchase, acquisition, use, sale, offers to sell, brokering, transfer, cleaning, and/or reconditioning of any Roundup Ready® soybean bean, Roundup Ready® cotton seed and/or Bollgard® cotton seed, including any type of "Roundup-resistant" soybean or cotton seed embodying the technology claimed in U.S. Patent Nos. 5,352,605; 5, 164, 346; 5,196,525 and/or 5,196,938;

(b) PROHIBITED from planting any Roundup Ready® soybean seed, Roundup Ready® cotton seed and/or Bollgard® cottonseed, including any type of "Roundup-resistant" soybean or cotton seed in any

defendant's possession, or under any defendant's control, wherever situated; and

(c) ORDERED to inventory and produce all Roundup Ready® soybean seed, Roundup Ready® cotton seed and/or Bollgard® cotton seed, including any type of "Roundup-resistant" soybean or coton seed in any defendant's possession, custody and/or control to Monsanto at a mutually agreeable time and place, but in no event less than ninety (90) days from the date of the Permanent Injunction.

SO ORDERED, this the 4th day of November, 2004.

/s/ W. Allen Pepper, Jr.
W. ALLEN PEPPER, JR.
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI
WESTERN DIVISION

MONSANTO COMPANY PLAINTIFF

VERSUS CIVIL ACTION NO. 3:00CV161-P-D

MITCHELL SCRUGGS, et al DEFENDANTS

[Entered: November 5, 2004]

FINAL JUDGMENT

In accordance with the defendants' motion(s) requesting same, the Court hereby enters final judgment as to the defendants' antitrust and common law counterclaims. In doing so, the Court expressly finds that there is no just reason for delay in entering judgment on said claims.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the defendants' antitrust and state common law counterclaims should be, and hereby are, DISMISSED WITH PREJUDICE, each party to bear its own costs.

SO ORDERED, this the 4th day of November, 2004.

/s/ W. Allen Pepper, Jr.
W. ALLEN PEPPER, JR.
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI
WESTERN DIVISION

MONSANTO COMPANY PLAINTIFF

VERSUS CIVIL ACTION NO. 3:00CV161-P-A

MITCHELL SCRUGGS,
EDDIE SCRUGGS, and
SCRUGGS FAMILY FARM SUPPLY DEFENDANTS

[Entered: July 7, 2004]

MEMORANDUM OPINION

This cause is before the Court on Monsanto's Motion for Summary Judgment on Counts One, Two, Three, Four, Nine, Ten, Eleven and Twelve of Defendants' Counterclaims (Defendants' Common Law Claims) [398-1]. The Court, having reviewed the motion, the response, the briefs of the parties, the authorities cited and being otherwise fully advised in the premises, finds as follows, to-wit:

STANDARD OF REVIEW

Rule 56(c) of the Federal Rules of Civil Procedure authorizes summary judgment where "the pleadings, depositions, answers to interrogatories and admissions on file, together with affidavits, if any, show that there is no genuine dispute as to any material fact and that the moving party is entitled to judgment as a matter of law. Celotex Corporation v. Catrett, 477 U.S. 317, 322, 91 L.Ed.2d 265, 106 S. Ct. 2548 (1986). The existence of a material question of fact is itself a question of law that the district court is bound to consider before granting summary judgment. John v. State of La. (Bd. Of T. for State C. & U., 757 F.2d 698, 712 (5th Cir. 1985).

A judge's function at the summary judgment stage is not himself to weigh the evidence and determine the truth

of the matter, but to determine whether there is a genuine issue for trial. There is no issue for trial unless there is sufficient evidence favoring the non-moving party for a jury to return a verdict for that party. If the evidence is merely colorable, or is not significantly probative, summary judgment may be granted. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 91 L.Ed.2d 202, 106 S. Ct. 2505 (1986).

Although Rule 56 is peculiarly adapted to the disposition of legal questions, it is not limited to that role. Professional Managers, Inc. v. Fawer, Brian, Hardy & Zatzkis, 799 F.2d 218, 222 (5th Cir. 1986). "The mere existence of a disputed factual issue, therefore, does not foreclose summary judgment. The dispute must be genuine, and the facts must be material." Id. "With regard to 'materiality', only those disputes over facts that might affect the outcome of the lawsuit under the governing substantive law will preclude summary judgment. Phillips Oil Company, v. OKC Corporation, 812 F.2d 265, 272 (5th Cir. 1987). Where "the summary judgment evidence establishes that one of the essential elements of the plaintiff's cause of action does not exist as a matter of law, . . . all other contested issues of fact are rendered immaterial. See Celotex, 477 U.S. at 323, 106 S. Ct. at 2552. Topalian v. Ehrman, 954 F.2d 1125, 1138 (5th Cir. 1992).

In making its determinations of fact on a motion for summary judgment, the Court must view the evidence submitted by the parties in a light most favorable to the non-moving party. McPherson v. Rankin, 736 F.2d 175, 178 (5th Cir. 1984).

The moving party has the duty to demonstrate the lack of a genuine issue of material fact and the appropriateness of judgment as a matter of law to prevail on his motion. Union Planters Nat. Leasing v. Woods, 687 F.2d 117 (5th Cir. 1982). The movant accomplishes this by informing

the court of the basis of its motion, and by identifying portions of the record which highlight the absence of genuine factual issues. Topalian, 954 F.2d at 1131.

"Rule 56 contemplates a shifting burden: the nonmovant is under no obligation to respond unless the movant discharges [its] initial burden of demonstrating [entitlement to summary judgment]." John, 757 F.2d at 708. "Summary judgment cannot be supported solely on the ground that [plaintiff] failed to respond to defendants' motion for summary judgment, "even in light of a Local Rule of the court mandating such for failure to respond to an opposed motion. Id. at 709.

However, once a properly supported motion for summary judgment is presented, the nonmoving party must rebut with "significant probative" evidence. Ferguson v. National Broadcasting Co., Inc., 584 F.2d 111, 114 (5th Cir. 1978). In other words, "the nonmoving litigant is required to bring forward 'significant probative evidence' demonstrating the existence of a triable issue of fact." In Re Municipal Bond Reporting Antitrust Lit., 672 F.2d 436, 440 (5th Cir. 1982). To defend against a proper summary judgment motion, one may not rely on mere denial of material facts nor on unsworn allegations in the pleadings or arguments and assertions in briefs or legal memoranda. The nonmoving party's response, by affidavit or otherwise, must set forth specific facts showing that there is a genuine issue for trial. Rule 56(e), Fed. R. Civ. P. See also Union Planters Nat. Leasing v. Woods, 687 F.2d at 119.

While generally "[t]he burden to discover a genuine issue of fact is not on [the] court, (Topalian, 954 F.2d at 1137), "Rule 56 does not distinguish between documents merely filed and those singled out by counsel for special attention-the court must consider both before granting a summary judgment." John, 757 F.2d at 712, quoting

Keiser v. Coliseum Properties, Inc., 614 F.2d 406, 410 (5th Cir. 1980).

LEGAL ANALYSIS

1. Count One

The invasion of privacy claim has as its basis Monsanto's pre-suit surveillance activities. One of Monsanto's investigators purchased a lot across the street from Scruggs Farm Supply and placed a small trailer on the lot. He equipped the trailer with video surveillance equipment. Some of Monsanto's investigators also observed activities at Scruggs Farm Supply with binoculars. On other occasions the investigators followed the Scruggses' family members or employees when they ran errands. On other occasions, Monsanto's investigators approached the Scruggses' customers and asked permission to look at the contents of their truck(s). Monsanto asserts that the activities of which the Scruggses complain are insufficient to support a claim for Monsanto's interference with the Scruggses' right to seclusion.

A party seeking recovery for invasion of privacy must be able to show that the "interference with the plaintiff's seclusion is a substantial one, of a kind that would be highly offensive to the ordinary reasonable man, as the result of conduct to which a reasonable man would strongly object." Candebat v. Flanagan, 487 So.2d 207, 209 (Miss. 1986). See also Monsanto Company v. Ethridge, Civil Action No. 4:00CV1592TCM (June 21, 2001). Despite the Scruggses' best efforts to present contrary authorities, the facts presented are simply not egregious enough to support a recovery for invasion of privacy. Monsanto is entitled to summary judgment on this claim.

2. Count Two

Count Two of the defendants counterclaim alleges trespass. As pled in the Complaint, the factual basis for

this claim is Monsanto's use of private investigators to "spy" on defendants' farming practices; and Monsanto's use of sampling teams to enter defendants' property to "unnecessarily sample" defendants' crops.

In order to recover, the Scruggses must demonstrate: 1) an intrusion upon the land of another without a license or other right for one's own purpose; 2) damage to the plaintiff as a result of physical invasion of the land; 3) credible evidence that Monsanto is the party responsible for the tort. With regarding to the "spying" aspect of the claim, Monsanto avers that the counter claimant cannot establish an actual physical invasion of land. As to the "sampling" aspect of the claim, Monsanto maintains that none of its representatives ever entered the Scruggses' land prior to obtaining court authority to do so. Consequently, Monsanto claims a privilege for entry pursuant to a court order.

In reply, the only evidence the Scruggses offer is the statement of Monsanto's Clifford White that "[o]n June 9, 1999, I found two 'brown bags' containing soybeans in a location where defendants conduct farming operations. . . . These bags were . . . marked 'SF'." White went on to say that the "bags were located on a gravel road . . . in an area where defendants had just planted soybeans."[1] The Scruggses aver this is ample evidence of trespass for purposes of defeating Monsanto's motion for summary judgment.

Monsanto's reply brief points out that neither the Scruggses' pleadings nor their discovery responses can be construed as basing their trespass action on the June 1999 actions of White. The Scruggses never filed a motion seeking leave of court to amend their counterclaim to allege a right to recovery on those facts. Overseas Inns S.A.

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[1] Later sampling of beans from those two bags revealed that the seed contained Monsanto's Roundup Ready trait.

P.A. v. United States, 911 F.2d 1146, 1151 (5th Cir. 1990); Freeman v. Continental Gin Co., 381 F.2d 459, 469-70 (5th Cir. 1967). Monsanto is entitled to summary judgment on the trespass claim.[2]

3. Count Three

In Count Three of their Counterclaim, the Scruggses assert a claim for tortious interference with contract and/or business relations. The factual basis for this claim, as asserted in their counterclaim, is the same as for the trespass claim. In addition to the "unnecessary sampling" and surveillance activities, the Scruggses also complain Monsanto harassed Scruggs Farms' customers.

In order to recover on such a claim, a plaintiff must establish the following elements: 1) an intentional act; 2) calculated to cause damage to plaintiffs' lawful business; 3) committed for the unlawful purpose of causing damage and loss, without right or justifiable cause on the part of the defendant; and 4) actual damage. ACT Chemicals, Inc. v. Metaplex, Inc., 615 So.2d 1192, 1201 (Miss. 1993). In addition, a claimant who seeks recovery for interference with a contract must first establish the existence of an enforceable contract between the claimant and a third party, and that the contract would have been performed "but for" the alleged interference.

Monsanto argues the counterclaimants have not pled the existence of an enforceable contract between themselves and a third party. Furthermore, as to any interference with business relations claim, Monsanto contends there is a dearth of proof on at least two elements as to which the Scruggses bear the burden of proof: Monsanto acted

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[2] The Court likewise rejects the counterclaimants' newly asserted basis for their trespass claim, i.e., that the actions of Monsanto and its agents amount to an offense to the Scruggs' person, health, reputation or property. Keppner Gulf Shores, Inc., 462 So.2d 719, 725 (Miss. 1985).

without right or justifiable cause and actual damage as a result of the complained of activities.

In response, the Scruggses urge an alternative factual basis for their claims. With regard to the tortious interference with contract claim, they point to the business arrangement between Mitchell Scruggs and Donald Bunch whereby Scruggs Farm Supply was to resell Monsanto seeds purchased through Bunch Farm Service during the 2001 growing season. Because Monsanto told Bunch to "back off," the Scruggses lost profits on sales of Roundup Ready and Bollgard seeds for the 2001 growing season and every season since.

With regard to the tortious interference with business relationship claim, the counterclaimants rely on the following actions: Monsanto's prohibition on seed saving; Monsanto's creation of a seed cartel in the cotton and soybean markets; Monsanto's sale of seed to foreign farmers at prices significantly below those available to American farmers; Monsanto's decision to file suit and seek a temporary restraining order in the midst of the Scruggses' 2000 harvest; Monsanto's harassment of the Scruggses' customers; Monsanto's refusal to honor replant refund claims of farmers who purchased Roundup branded herbicides from the Scruggses because Scruggs Farm Supply was not an authorized Monsanto dealer. According to the Scruggses, the only real question is whether Monsanto acted without right or justification—a question which cannot be answered without a trial unless Monsanto is entitled to summary judgment on its claims of patent infringement and Scruggs' defense of patent misuse. Finally, Scruggs asserts that the record before the Court is sufficient to meet any burden of proving the fact of loss as a result of Monsanto's wrongful conduct and that any uncertainty as to the amount of loss should not prevent a recovery.

In reply, Monsanto points out the discrepancies between the factual averments contained in Count Three of the counterclaim and the actual facts upon which the Scruggses rely to support their counterclaim. Fifth Circuit authorities caution against permitting a claimant to change theories of recovery as a means of defeating summary judgment without first seeking leave to amend their pleadings. Overseas Inns S.A. P.A. v. United States, 911 F.2d 1146, 1151 (5th Cir. 1990); Freeman v. Continental Gin Co., 381 F.2d 459, 469-70 (5th Cir. 1967). Lastly, Monsanto again attacks the paucity of the Scruggses' proof of damages on the tortious interference claims, pointing out that the evidence lacks the specificity required by Mississippi law. Fred's Stores of Mississippi, Inc. v. M & H Drugs, Inc., 725 So.2d 902 (Miss. 1998).

Monsanto's first argument is sufficient to address the vast majority of the Scruggses' tortious interference claims-i.e., the Scruggses did not plead those claims; nor have they sought leave to amend their counterclaim to do so; nor, at this late juncture, would the Court permit them to do so. With regard to the factual bases actually outlined in Count Three, the Scruggses have failed to come forward with any proof that they suffered a pecuniary loss because of Monsanto's spying, sampling and harassment of customers. Monsanto is entitled to judgment as a matter of law on Count Three as well.

4. Count Four

Count Four of the counterclaim alleges a right to recovery for abuse of process. As pled, the Scruggses claim that 1) Monsanto pursued this case in order to ruin Scruggs Farms' business and to punish Mitchell Scruggs for his opposition to Monsanto's patent misuse and its efforts to monopolize the seed business; 2) Monsanto misrepresented its need for expedited discovery and entry upon the Scruggses' land; and 3) Monsanto's prosecution of the instant action is an abuse of the patent laws. In

order to recover for an abuse of process, the Scruggses must first prove that Monsanto made an illegal or improper abuse of process, neither warranted nor authorized by the process; that Monsanto had an ulterior motive or purpose in exercising the improper use of process; and that the Scruggses suffered damages because of Monsanto's conduct. State For Use and Benefit of Foster v. Turner, 319 So.2d 233, 236 (Miss. 1975). Mississippi law is clear that a claim for abuse of process may not lie where the only process involved was the filing of a lawsuit or service of a summons to defend a lawsuit. Similarly, in order for Monsanto's actions in seeking expedited discovery and entry upon the Scruggses' land to be actionable, the Scruggses must demonstrate that Monsanto exceeded the grant of authority contained in this Court's Order.

In response to the motion, the Scruggses rely on two "facts" to support their claim. First, they urge that Monsanto timed the filing of the instant suit to coincide with the harvest season so as to cause the Scruggses the greatest possible damage. Second, they contend that Monsanto deliberately framed its claims so as to expose the Scruggses to the possibility of a judgment for which no insurance coverage would be available. Only speculation and conjecture support such conclusions; no reasonable trier of fact could find for the defendants given the lack of evidence in support of this claim. Monsanto is entitled to summary judgment on its abuse of process claim.

5. Count Five

Count Five of the Scruggses' counterclaim asserts a cause of action for conversion based on Monsanto's efforts to convert the Scruggses' private property rights in saved seed. The claim as pled was based on defendants' theory that Monsanto's only rights were those under the Plant Variety Protection Act, which expressly contains a seed

saving clause for the benefit of farmers. The Supreme Court's decision in J.E.M. Ag. Supply, Inc. d/b/a Farm Advantage, Inc. v. Pioner Hi-Bred International, Inc., 122 S. Ct. 593 (2001) vitiated that claim.

In response to Monsanto's motion, however, the Scruggses assert a new basis for their conversion claim: the saved seed over which Monsanto sought control pursuant to the preliminary injunction. Basically, the Scruggses claim that, notwithstanding Monsanto's claim to the genetic traits, they had a right to use the germplasm in any manner they saw fit. They urge that, at the very least, Monsanto had a duty to tender the value of the seized germplasm or to allow the Scruggses to plant the saved seed and merely pay the associated technology fee (since they had already paid for the germplasm at the time of the initial purchase).

Monsanto's response is two-tiered. First, it points out the counterclaim, as pled, does not allege any such claim, nor have the Scruggses moved to amend their pleadings to assert the new theory. Furthermore, Monsanto urges that the Federal Circuit's decision in Monsanto v. McFarling, another seed saving case, recognized that Monsanto's patents claim the glyphosate-tolerant plants, the genetically modified seeds for the plants, the specific modified genes, and the method of producing the plants. 302 F.3d 1291, 1293 (Fed. Cir. 2002) All of Monsanto's arguments are persuasive; the Court concludes that Monsanto's motion for summary judgment on the Scruggses' conversion claim is well-taken and should be granted.

6. Counts Nine, Ten and Eleven[3]

The Scruggses also assert counterclaims for nuisance, strict liability in tort and negligence. The defendants have confessed Monsanto's entitlement to summary judgment on each of these claims. Thus, it is unnecessary to accord them any discussion herein.

7. Count Twelve[4]

Monsanto also seeks summary judgment on the Scruggses' unfair competition claim. The Scruggses pled no specific facts to support their claim for unfair competition, relying instead on the amalgamation of facts littered throughout the other counts of their counterclaim. However, after Monsanto pointed out the paucity of the Scruggses' allegations in the motion for summary judgment, the Scruggses' responded with the same list of actions discussed in the analysis of their tortious interference claims, supra.

Despite their best efforts, however, the Scruggses cannot offer any proof that Monsanto undertook the activities complained of with a dominant purpose of inflicting injury on the Scruggses. Memphis Steam Laundry v. Lindsey, 5 So.2d 227 (1941). Because the Scruggses bear the burden of proof on this issue; and because they have failed to adduce evidence from which a reasonable trier of fact could find in their favor, Monsanto is also entitled to summary judgment on the unfair competition claim.

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[3] This Motion does not address the defendants' statutory claims for violation of Mississippi's antitrust laws. That counterclaim, also denominated as Count Nine, is addressed in the Court's separate opinion dealing with Monsanto's Motion for Summary Judgment on the Scruggses' antitrust claims.

[4] This claim is actually denominated as Count Eleven in the defendants' counterclaim, a simple oversight.

CONCLUSION

Based on the foregoing facts and analysis, the Court finds that Monsanto's Motion for Summary Judgment on Counts One, Two, three, four, Nine, Ten, Eleven and Twelve of Defendants' Counterclaims (Defendants' Common Law Claims) is well-taken and should be granted. An Order will issue accordingly.

This, the 2nd day of July, 2004.

/s/ W. Allen Pepper, Jr.
W. ALLEN PEPPER, JR.
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI
WESTERN DIVISION

MONSANTO COMPANY PLAINTIFF

VERSUS CIVIL ACTION NO. 3:00CV161-P-A

MITCHELL SCRUGGS,
EDDIE SCRUGGS, and
SCRUGGS FAMILY FARM SUPPLY DEFENDANTS

[Entered: July 7, 2004]

ORDER

This cause is before the Court on Monsanto's Motion for Summary Judgment on Counts One, Two, Three, Four, Nine, Ten, Eleven and Twelve of Defendants' Counterclaims (Defendants' Common Law Claims) [398-1]. The Court, having considered the motion and being otherwise fully advised in the premises, finds as follows, to-wit:

In accordance with the Memorandum Opinion entered this day, the Court finds that the plaintiff's Motion is well-taken and should be sustained.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the plaintiff's Motion for Summary Judgment on Counts One, Two, Three, Four, Nine, Ten, Eleven and Twelve of Defendants' Counterclaims (Defendants' Common Law Claims [398-1] is well-taken and should be, and hereby is, GRANTED.

This, the 20th day of July, 2004.

/s/ W. Allen Pepper, Jr.
W. ALLEN PEPPER, JR.
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI
WESTERN DIVISION

MONSANTO COMPANY PLAINTIFF

VERSUS CIVIL ACTION NO. 3:00CV161-P-A

MITCHELL SCRUGGS,
EDDIE SCRUGGS, and
SCRUGGS FAMILY FARM SUPPLY DEFENDANTS

[Entered: July 6, 2004]

MEMORANDUM OPINION

This cause is before the Court on Monsanto's Motion for Summary Judgment on Counts Two, Three, Four, Five and Eight of Plaintiff's Complaint (Monsanto's Patent Infringement Claims) [399-1] and the Defendants' Motion for Summary Judgment on Monsanto Company's Counts Two, Three, Four and Five of Plaintiff's Third Amended Complaint [517-1]. The Court, having reviewed the motion, the response, the briefs of the parties, the authorities cited and being otherwise fully advised in the premises, finds as follows, to-wit:

FACTUAL BACKGROUND

Monsanto began research in the field of plant genetics in the early 1980's. During the course of that research, Monsanto scientists Robert Fraley, Robert Horsch, and Stephen Rogers discovered it was possible to insert a foreign gene into a plant, get the plant to regenerate and to express the foreign gene. As a part of that discovery, they learned what DNA parts were essential to the creation of a transformed plant which incorporated the foreign DNA. Simply put, the synthetic gene required a promoter, a protein sequence of interest and a stop signal-all of which came from different sources. That

invention is one of the subjects of the 5,352,605 patent (hereafter '605 patent).

Thereafter, Monsanto licensed the use of the 35S cauliflower mosaic virus (hereafter CaMV 35S) promoter disclosed in the '605 patent to numerous universities. Pursuant to such a license, Dr. Joan McPherson, a researcher with the University of British Columbia, undertook additional study of the CaMV 35S promoter. As a result of her work with the 35S promoter, she applied for and obtained patents numbered 5,164,316, 5,196,525 and 5,322,938 (hereafter the McPherson patents). The McPherson patents extended the art disclosed in the '605 patent in several ways; but for purposes of this case, one of its most important inventions was an enhanced 35S promoter. Monsanto subsequently purchased the McPherson patents and used their teachings in developing agricultural products for commercial sale.

Monsanto used the art taught in the '605 patent to develop genetically modified soybeans which are resistant to glyphosate herbicide.[1] [2] The genetically modified

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[1] Glyphosate is the chemical name for the active ingredient in Roundup herbicide.

[2] Lest the reader be misled by the truncated explanation, the development of transgenic crops involved a number of additional steps. After creating a synthetic gene, like those at issue here, scientists inserted the synthetic gene into plant cells through a process known as transformation.

Scientists use one of two methods to transform plant cells, a process involving agrobacterium or, alternatively, microprojectile bombardment. In the latter case, the scientists created a plant cell tissue culture. Then they coated small gold pellets with the synthetic gene. They loaded the pellets into a helium charged chamber, then fired them through a screen into the plant cells from the tissue culture. Only those synthetic genes shot into the nucleus of the plant cells and incorporated into the cell chromosome were transformed.

soybeans are commercially marketed as Roundup Ready soybeans. The soybeans are resistant to Roundup because the plants produce a specific enzyme called 5-enolpyruvylshikimate-3-phosphate synthase (hereafter EPSPS). Monsanto used the same art to develop genetically modified cotton which is resistant to glyphosate herbicide. The genetically modified cotton is commercially marketed as Roundup Ready cotton. Monsanto utilized the teachings of both the '605 patent and the McPherson patents to develop a stacked trait cotton. This stacked trait cotton is not only glyphosate resistant, but it is also resistant to certain insects because the cotton plants produce a protein called bacillus thurengiensis (hereafter Bt) which is toxic to certain insects and other pests. The stacked trait cotton containing the Bt protein and the EPSPS protein is commercially marketed as Bollard/Roundup ready cotton.

After developing the biotechnology described above and demonstrating its usefulness in agronomic production, Monsanto began licensing its technology to seed companies. However, it did not do so unconditionally. Instead, Monsanto imposed two provisos on the seed companies to which it licensed its Roundup Ready and Bollgard technology. First, Monsanto forbade seed companies from selling seed which contained Monsanto's biotechnology to growers unless the grower first signed one of Monsanto's technology license agreements. Second, seed so sold could only be used by growers to grow a single commercial crop, e.g., growers

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Thereafter, scientists selected the transformed plant cells and transferred them to a growth medium. After exposure to the growth medium, the plant cells multiplied and developed into plant shoots. After the whole plants developed, the scientists evaluated the transgenic plants to determine which one(s) displayed the best agronomic qualities, including but not limited to expression of the synthetic gene. Only after the scientists selected the most desirable "event" did wide scale seed production begin.

could not save seed produced from a harvested crop for replanting during the following growing season.

In 1996, Roundup Ready soybeans became available to commercial growers. Although he never signed a license agreement,[3] Mitchell Scruggs purchased a small quantity of Roundup Ready 5601 Asgrow soybeans from Seeds, Inc. in Memphis. The seed was sufficient to plant approximately ten acres of soybeans. After the fall harvest, Mr. Scruggs retained the soybean seed from those ten acres; he cleaned it and saved it for planting during the 1997 crop season. He did likewise with the Roundup Ready soybean seed for all subsequent crop seasons up to the year 2000. By 2000, Scruggs had enough saved Roundup Ready soybean seed to plant more than 8,000 acres.

Bollgard/Roundup Ready cotton became available to growers in 1998. Again, Scruggs purchased only a small quantity of Delta & Pine Land Paymaster cotton seed containing the Bollgard and Roundup Ready traits-

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[3] All bags of Asgrow Roundup Ready soybean seed, manufactured from 1996 to the present, displayed the following notice:

> THESE SEEDS ARE COVERED UNDER U.S. PATENTS . . . 5,352,605. THE PURCHASE OF THESE SEEDS CONVEYS NO LICENSE UNDER SAID PATENTS TO USE THESE SEEDS. A LICENSE FIRST MUST BE OBTAINED FROM **MONSANTO COMPANY** BEFORE THESE SEEDS CAN BE USED IN ANY WAY.

Also posted on the bags was a notice which read:

> This Asgrow variety is protected by the Plant Variety Protection Act (7 United States Code §§ 2321 et seq.) and/or the Patent Act (35 United States Code §§ 1 et seq.). The purchaser is authorized by Asgrow to plant this variety and use the resulting crop for food or sell the crop as grain. Asgrow does not authorize the use or sale of the crop as seed.
>
> UNAUTHORIZED PROPAGATION PROHIBITED

Exhibit N to Monsanto's Motion for Summary Judgment.

enough to plant no more than a few acres.[4] However, as with the soybean seed, Mr. Scruggs retained the cotton

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[4] Mr. Scruggs never signed a license agreement in conjunction with his purchase of cotton seed. However, each and every bag of Paymaster stacked trait cotton seed sold since 1996 included the following notice on its label:

> PROPRIETARY GENE INFORMATION • READ BEFORE OPENING THIS BAG
>
> The cottonseed contained in this bag contains the Bollgard gene from the common soil bacterium Bacillus thuringiensis var. kurstak (B.t.k) which is effective in controlling certain lepidopteran cotton insect pests. This seed also contains the Roundup Ready gene which provides tolerance to Roundup herbicide when applied according to Monsanto instructions.
>
> You are required to carefully read the Grower Guide prior to planting this seed.
>
> You must plant and grow this seed in accordance with the Grower guide. Copies of the Grower Guide are available from your seed retailer, seed salesperson or Monsanto Company N3K, 800 North Lindbergh Blvd., St. Louis, MO 63167 1-800-523-2333.
>
> IT IS A VIOLATION UNDER FEDERAL PATENT LAW TO USE THIS SEED FOR ANY PURPOSE WITHOUT OBTAINING A LICENSE FROM MONSANTO CO.
>
> The Bollgard gene in this seed is protected under U.S. Patents 5,164,316, 5,196,525, 5,322,938, 5,352,605 and 5,500,365. The Roundup Ready gene in this seed is protected under U.S. Patents .... This variety is protected under the U.S. Plant Variety Protection Act. The Monsanto license does not authorize the grower to save or resell cottonseed produced from the seed in this bag for replanting. NOTE: Read the Limit of Warranty and Liability Statement in the Grower Guide before opening this bag. Opening this bag constitutes acceptance of those terms and conditions.
>
> WARNING: READ BEFORE OPENING. The seed in this bag contains patented technology. The user is NOT LICENSED to save any seed produced from this seed for replanting. If you are unwilling to comply with these terms, promptly return the unopened bag to the Seller.

Exhibit E to Monsanto's Motion for Summary Judgment.

seed from the fields he planted with Bollgard/Roundup Ready seed. He sent it to a facility in Missouri for cleaning and delinting; he then replanted the saved seed during the 1999 growing season. He did likewise for the 2000 growing season. By 2000, Scruggs had saved enough Bollgard/Roundup Ready cotton seed to plant in excess of 2000 acres.

After conducting an investigation into Mr. Scruggs' activities during the spring and summer of 2000, Monsanto filed the instant lawsuit, seeking recovery for the acts of Mitchell Scruggs and his affiliates, acts which, according to Monsanto, amounted to infringement of its rights under the '605 and McPherson patents.[5] The Scruggs defendants filed responsive pleadings denying infringement. The defendants also sought a declaration of invalidity with regard to the '605 and McPherson patents. After ample opportunity for discovery, Monsanto filed its Motion For Summary Judgment on Counts Two-Five of its Third Amended Complaint. The Scruggses not only responded in opposition to Monsanto's motion; they filed a cross-motion for summary judgment. The motions have been fully briefed and are ripe for decision.

STANDARD OF REVIEW

Rule 56(c) of the Federal Rules of Civil Procedure authorizes summary judgment where "the pleadings, depositions, answers to interrogatories and admissions on file, together with affidavits, if any, show that there is no genuine dispute as to any material fact and that the moving party is entitled to judgment as a matter of law. Celotex Corporation v. Catrett, 477 U.S. 317, 322, 91 L.Ed.2d 265, 106 S. Ct. 2548 (1986). The existence of a material question of fact is itself a question of law that the district court is bound to consider before granting

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[5] Monsanto also sued for infringement of another patent, the 5,633,435 patent. However, that patent is no longer at issue in this litigation.

summary judgment. John v. State of La. (Bd. Of T. for State C. & U., 757 F.2d 698, 712 (5th Cir. 1985).

A judge's function at the summary judgment stage is not himself to weigh the evidence and determine the truth of the matter, but to determine whether there is a genuine issue for trial. There is no issue for trial unless there is sufficient evidence favoring the non-moving party for a jury to return a verdict for that party. If the evidence is merely colorable, or is not significantly probative, summary judgment may be granted. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 91 L.Ed.2d 202, 106 S. Ct. 2505(1986).

Although Rule 56 is peculiarly adapted to the disposition of legal questions, it is not limited to that role. Professional Managers, Inc. v. Fawer, Brian, Hardy & Zatzkis, 799 F.2d 218, 222 (5lh Cir. 1986), "The mere existence of a disputed factual issue, therefore, does not foreclose summary judgment. The dispute must be genuine, and the facts must be material." Id. "With regard to 'materiality', only those disputes over facts that might affect the outcome of the lawsuit under the governing substantive law will preclude summary judgment. Phillips Oil Company, v. OKC Corporation, 812 F.2d 265, 272 (5th Cir. 1987). Where "the summary judgment evidence establishes that one of the essential elements of the plaintiff's cause of action does not exist as a matter of law, ... all other contested issues of fact are rendered immaterial. See Celotex, 477 U.S. at 323, 106 S. Ct. at 2552. Topalian v. Ehrman, 954 F.2d 1125, 1138 (5th Cir. 1992).

In making its determinations of fact on a motion for summary judgment, the Court must view the evidence submitted by the parties in a light most favorable to the non-moving party. McPherson v. Rankin, 736 F.2d 175, 178 (5th Cir. 1984).

The moving party has the duty to demonstrate the lack of a genuine issue of material fact and the appropriateness of judgment as a matter of law to prevail on his motion. Union Planters Nat. Leasing v. Woods, 687 F.2d 117 (5th Cir. 1982). The movant accomplishes this by informing the court of the basis of its motion, and by identifying portions of the record which highlight the absence of genuine factual issues. Topalian, 954 F.2d at 1131.

"Rule 56 contemplates a shifting burden: the nonmovant is under no obligation to respond unless the movant discharges [its] initial burden of demonstrating [entitlement to summary judgment]." John, 757 F.2d at 708. "Summary judgment cannot be supported solely on the ground that [plaintiff] failed to respond to defendants' motion for summary judgment," even in light of a Local Rule of the court mandating such for failure to respond to an opposed motion. Id. at 709.

However, once a properly supported motion for summary judgment is presented, the nonmoving party must rebut with "significant probative" evidence. Ferguson v. National Broadcasting Co., Inc., 584 F.2d 111, 114 (5th Cir. 1978). In other words, "the nonmoving litigant is required to bring forward 'significant probative evidence' demonstrating the existence of a triable issue of fact." In Re Municipal Bond Reporting Antitrust Lit., 672 F.2d 436, 440 (5th Cir. 1982). To defend against a proper summary judgment motion, one may not rely on mere denial of material facts nor on unsworn allegations in the pleadings or arguments and assertions in briefs or legal memoranda. The nonmoving party's response, by affidavit or otherwise, must set forth specific facts showing that there is a genuine issue for trial. Rule 56(e), Fed. R. Civ. P. See also Union Planters Nat. Leasing v. Woods, 687 F.2d at 119.

While generally "[t]he burden to discover a genuine issue of fact is not on [the] court, (Topalian, 954 F.2d at 1137), "Rule 56 does not distinguish between documents merely filed and those singled out by counsel for special attention-the court must consider both before granting a summary judgment." John, 757 F.2d at 712, quoting Keiser v. Coliseum Properties, Inc., 614 F.2d 406, 410 (5th Cir. 1980).

LEGAL ANALYSIS

I. Infringement of the '605 and McPherson Patents

Patent infringement cases involve a two-step analysis: claim interpretation, which is a matter of law exclusively for the court, and infringement analysis, which is a question of fact. Claim interpretation requires the court to construe the patent's claims and to establish their meaning and scope. See Markman v. Westview Instr., Inc., 52 F.3d 967 (Fed. Cir. 1995), aff'd, 517 U.S. 370 (1996)("A patent covers the invention or inventions which the court, in construing its provisions, decides that it describes and claims"). In doing so, the court is to consider the specifications of the patent, its prosecution history and the prior art.

Infringement analysis requires the court to compare the alleged infringer's product (in this case, the soybean and cotton in the defendants' fields) with the claims of the patent.[6] A finding of infringement requires that every limitation of a claim be met, either literally or by a substantial equivalent. Intellicall Inc. v. Phonometrics, Inc., 952 F.2d 1384, 1387-89 (Fed. Cir. 1992). "A patent is infringed if a single claim is infringed." Invervet America, Inc. v. Kee-Vet Lab, Inc., 887 F.2d 1050, 1055 (Fed Cir. 1989).

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[6] This is in contrast to comparing the alleged infringing product with the patentee's product.

A. Claims Construction

1. '605 Patent

Monsanto asserts infringement of claims 1, 2, 4 and 5 of the '605 patent. Before diving into the details of those claims, reference to the abstract of the '605 patent provides some context for the discussion which follows. The summary explains:

> In one aspect, the present invention relates to the use of viral promoters in the expression of chimeric genes in plant cells. In another aspect this invention relates to chimeric genes which are capable of being expressed in plant cells, which utilize promoter regions derived from viruses which are capable of infecting plant cells .... These chimeric genes have been shown to be expressed in plant cells. This invention also relates to plant cells, plant tissue and differentiated plants which contain and express the chimeric genes of this invention.

The specific claims at issue read as follows:

> We claim:
>
> 1. A chimeric gene which is expressed in plant cells comprising a promoter from a cauliflower mosaic virus, said promoter selected from the group consisting of a CaMV (35S) promoter isolated from CaMV protein-encoding DNA sequences and a CaMV (19S) promoter isolated from CaMV protein-encoding DNA sequences, and a structural sequence which is heterologous with respect to the promoter.
>
> 2. A chimeric gene of claim 1 in which the promoter is the CaMV (35S) promoter.
>
> ...

> 4. A plant cell which comprises a chimeric gene that contains a promoter from cauliflower mosaic virus, said promoter selected from the group consisting of a CaMV (35S) promoter and a CaMV (19S) promoter, wherein said promoter is isolated from CaMV protein-encoding DNA sequences, and a structural sequence which is heterologous with respect to the promoter.
>
> 5. A plant cell of claim 4 in which the promoter is the CaMV (35S) promoter.

Claim 1 of the '605 patent is broadly directed to a chimeric gene, which is expressed in plant cells, comprising a) a promoter element b) selected from the group consisting of either a 35S cauliflower mosaic virus promoter or a 19S cauliflower mosaic promoter; and c) a structural sequence of interest which is heterologous with respect to the promoter. The terms "chimeric" and "heterologous" indicate that the promoter and the structural sequence sought to be expressed derive from different species and do not, therefore, occur together in nature. The language relating to the promoter being isolated from CaMV protein encoding sequences explains that the promoter is being employed to drive expression of the heterologous sequence of interest rather than to drive expression of a CaMV viral protein as it does in the CaMV virus.

Claim 2 merely narrows the focus of the invention in claim 1, i.e., it specifies a chimeric gene from claim 1 in which the chosen promoter is a 35S CaMV promoter rather than a 19S CaMV promoter. Claim 4 claims plant cells which incorporate a chimeric gene meeting the elements of claim 1. Claim 5 narrows the focus of the invention in claim 4 by specifying plant cells incorporating a chimeric gene meeting the elements of claim 2, e.g., those plant cells which are comprised of a

chimeric gene in which the chosen promoter is a 35S CaMV promoter rather than a 19S CaMV promoter.

2. McPherson Patents

Monsanto also claims the defendants infringed certain of the claims in each of the McPherson patents.[7] The abstract for each of the McPherson patents reveals that the patents teach "[n]ovel transcription initiation regions that provide for enhanced transcription of a DNA sequence, particularly a plant sequence..."

The portions of the '938 patent in issue are claims 1, 2, and 3 of the '938 patent. Those claims read:

> We claim:
>
> 1. A chimeric transcriptional initiation region comprising: as operably joined components (I) a tandemly duplicated CaMV 35S enhancer sequence comprising an AluI-EcoRV fragment of a CaMV 35 upstream region; and (ii) a promoter comprising an RNA polymerase binding site and an mRNA initiation site, wherein when a nucleotide sequence of interest is transcribed under the regulatory control of said chimeric transcriptional initiation region, the amount of transcription product is enhanced as compared to the amount of transcription obtained with a chimeric transcriptional initiation region comprising a single copy of said CaMV enhancer sequence and said promoter.
>
> 2. The chimeric transcriptional initiation region according to claim 1, wherein said promoter

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[7] Because the inventions claimed in each of these patents are closely related, the Court's discussion of the proper construction for each of the patents follows a recitation of the claims in issue for each of the McPherson patents.

is obtainable from the upstream region of a plant virus gene.

3. The chimeric transcriptional initiation region according to claim 2, wherein said plant virus gene is a CaMV 35S gene.

Monsanto also asserts infringement of the '525 patent. Claims 1, 2, 4 and 5 of that patent make the following claims:

1. A DNA construct having as components, (a) a transcription initiation region including (I) a tandemly duplicated CaMV 35S enhancer sequence comprising an AluI-EcoRV fragment of a CaMV 35 upstream region; and (ii) a promoter comprising an RNA polymerase binding site and an mRNA initiation site; (b) a nucleotide sequence of interest for transcription to mRNA; and (c) a termination region; wherein said components are operably joined.

2. The DNA construct according to claim 1, wherein said promoter is a T-DNA gene 7 or gene 5 promoter or a CaMV 35S promoter.

...

4. The DNA construct according to claim 1, wherein said sequence of interest is an open reading frame with an initiation codon for expressing a polypeptide of interest.

5. The DNA construct according to claim 1, wherein said promoter is a CaMV 35S promoter.

Monsanto also contends defendants infringed claims 1, 2 and 4 of the '316 patent. Those particular claims read as follows:

We claim:

1. A plant cell comprising:

a DNA construct having as components, (a) a duplicated CaMV 35S enhancer sequence comprising an AluI-EcoRV fragment of a CaMV 35 upstream region and (ii) a promoter comprising an RNA polymerase binding site and an mRNA initiation site; (b) a nucleotide sequence of interest for transcription to mRNA; and (c) a termination region wherein said components are operably joined.

2. The plant cell according to claim 1, where said promoter is a T-DNA gene 7 or gene 5 promoter or a CaMV 35S promoter.

4. The plant cell according to claim 1, wherein said sequence of interest is an open reading frame with an initiation codon for expressing a protein of interest.

A cursory reading of the text and figures for each of the three patents reveals that they are essentially identical. However, upon closer scrutiny each of the patents asserts slightly different claims. The '938 patent claims a chimeric transcriptional initiation region which contains the enhancer sequence for the 35S promoter.[8]

[8] Claim 1 specifies that the enhancer sequence is made up of tandemly duplicated AluI-EcoRV fragments from the upstream region of a 35S promoter operably joined with another promoter having an RNA polymerase binding site and an mRNA initiation site. Use of an enhanced promoter as described in claim 1 of the '938 patent results in a higher incidence of transcription for any nucleotide sequence of interest under the regulatory control of the chimeric transcriptional initiation region than would otherwise be obtained with a chimeric transcriptional initiation region incorporating only a single copy of the enhancer sequence joined with a promoter. Claims 2 and 3 of the '938 patent progressively narrow the source of the promoter from the broad category outlined in section (ii) of claim 1. Claim 2 limits the promoter to those obtainable from the upstream region of a plant virus gene. Claim 3 further limits the plant virus gene to that of a 35S promoter.

The '525 patent claims a DNA construct which contains the enhancer sequence for the 35S promoter operably joined with a nucleotide sequence of interest and a termination codon.[9] The '316 patent claims plant cells containing the enhancer sequence for the 35S promoter operably joined with a nucleotide sequence of interest and a termination codon.[10]

B. Infringement Analysis

1. Monsanto's Evidence of Infringement

Monsanto's evidence of infringement is staggering. The Scruggses admit purchasing Roundup Ready soybean seed in 1996 and Bollgard/Roundup Ready cotton seed in 1998. They admit they failed to obtain a license from Monsanto before planting the seed in 1996 and 1998. They also admit to saving soybean and cotton seed for their future planting needs through the 2000 growing season.

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[9] Claim 1 of the '525 patent specifies a DNA construct comprised of a) an enhanced promoter as described in claim 1 of the '938 patent; operably joined with b) a nucleotide sequence of interest for transcription to mRNA; and c) a termination component (stop signal). Claims 2 and 5 progressively narrow the source of the promoter from the broad category of promoters described section (a)(ii) of claim 1. Claim 2 limits the promoter used in the DNA construct to one of three sources: a T-DNA gene 7 promoter, a T-DNA gene 5 promoter or a CaMV 35S promoter. Claim 5 the promoter used in the DNA construct to a CaMV 35S promoter. Claim 4 specifies that the nucleotide sequence of interest identified in section (b) of claim 1 be one which is an open reading frame with an initiation codon for expressing a polypeptide of interest.

[10] Claim 1 of the '316 patent covers plant cells which contain the same DNA construct identified in claim 1 of the '525 patent. Claim 2 claims plant cells containing the '525 DNA construct, but limits the permissible source of the promoter to the same promoters specified in claim 2 of the '525 patent. Claim 4 of the '316 patent claims those plant cells in which the sequence of interest is an open reading frame with an initiation codon for expressing a protein of interest, e.g., the same sequences of interest specified in claim 4 of the '525 patent.

Beyond those admissions, Monsanto relies on the results of not one, but a series of three scientific tests, to demonstrate that the Scruggses' 2000 soybean and cotton crops contained Monsanto's patented Roundup Ready and Bollgard biotechnology.[11] The testing methods employed included polymerase chain reaction (hereafter PCR) testing, DNA sequencing and enzyme-linked immunosorbent assay (hereafter ELISA) analyses. The testing revealed that nearly all of the crop samples taken from the Scruggses' fields contained Monsanto's technology.

a. PCR Testing

The PCR tests utilized by Monsanto detect certain DNA sequences of interest. In this case, the tests employed two oligonucleotide DNA primers to search for the CaMV35S-CP4 construct (the Roundup Ready gene) and the BtCrylAc construct (the Bollgard gene). If the constructs are present, the primers amplify the DNA sequence constructed and inserted by Monsanto. The primers anneal, or hybridize, to the inserted gene, allowing for DNA synthesis in the next phase of PCR. Subsequent cycles of PCR amplify the construct, eventually leading to a DNA product detectable by gel electrophoresis.[12]

Of the two primers used to test defendants' soybeans, one primer for the PCR fragment was complementary to soybean DNA sequences lying just upstream from the CaMV35S-CP4 insertion site. A second primer detected PCR fragments including the 35S promoter and part of

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[11] Monsanto also performed additional tests, the Southern Blot test and Taqman assays. However, the defendants moved to exclude the results of the Southern Blot and Taqman assays. The Court granted that motion. Accordingly, the Court nowise relies on the results of the latter two tests in deciding the present motion.

[12] The primers match the amino acid sequence for the DNA sequences of interest exactly.

the CP4 EPSPS protein. Monsanto performed PCR analysis of 1,196 soybean samples from the Scruggses' fields. Of the samples tested, 1,145 yielded positive results.[13] Based on the PCR results, Monsanto expert Dr. Curtis Hannah concluded:

> Because the primers used are specific for the CaMV35S-CP4 construct and the resulting PCR products are of the predicted sizes to have arisen from the region of the CaMV35S-CP4 construct selected in amplification, I conclude from these data that the likelihood that these soybean samples lack Monsanto's patented technology is nil.

Exhibit J to Monsanto's Motion for Summary Judgment at p. 6.

Of the primers used to test the defendants' cotton, one primer detected a PCR fragment in the 5' region of the e35S-BtCrylAc gene while the other primer detected a fragment in the 3' portion of the gene. Monsanto conducted PCR analysis of 388 cotton samples from the Scruggses' fields. Of the samples tested, 385 yielded positive results. Based on those test results, Dr. Hannah concluded that 99.2% of the cotton samples tested contained Monsanto's CaMVe35S-BtCrylAc gene.

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[13] The competitive PCR method utilized by Monsanto also reduced the likelihood of obtaining any false positive results. The test involved the production of two PCR amplification products in a single reaction. One product was from the transcend and the other was from an endogenous soybean or cotton gene. Both products competed for enzyme and nucleoside in the PCR. Because of the competition, DNA sequences introduced as a low level contaminant could not have been amplified sufficiently to be detectable in the photographs of gels used to resolve the PCR products. By contrast, when the plant is transgenic the endogenous gene and transcend were present in similar numbers and thus were both sufficiently amplified in the competitive PCR reaction to be visible in the photographs of the gels used to resolve them. Exhibit B to Monsanto's Reply to Defendants' Opposition to Monsanto's Motion for Summary Judgment.

b. DNA Sequence Testing

After completing the PCR assays, Monsanto scientists performed DNA sequencing on the PCR product from certain of the soybean and cotton samples. Monsanto's Dr. Hannah compared the DNA sequences from the samples against the known sequences for Monsanto's Roundup Ready and Bollgard genes. The DNA sequencing data from the soybeans revealed the presence of Monsanto's chimeric CaMV35S-CP4 construct, e.g., a 35S CaMV promoter, a chloroplast transit peptide, and an EPSPS enzyme coding sequence. The DNA sequencing results on the sample cotton matched the DNA sequences for Bollgard cotton, e.g., the samples contained a chimeric CaMVe35S-Bt CrylAc construct, e.g., an enhanced 35S promoter, the coding region for the BtCrylAc protein and a termination region.

c. ELISA Testing

Monsanto also performed ELISA testing on a subsample of the soybean and cotton samples analyzed via PCR. ELISA tests detect the presence of a particular protein (i.e., a "heterologous nucleotide sequence of interest"). The assays only detect the presence of proteins actually expressed in the plants. This requires a functional DNA gene promoter, a coding region and signals for proper termination of transcription and processing of the RNA.

Monsanto tested soybeans taken from the Scruggses' Fields for the presence of the CP4 EPSPS protein found in Roundup Ready soybeans. The ELISA results from the soybeans tested were consistent with the results of the PCR assays and DNA sequencing tests, e.g., the results were positive for the presence of the CP4 EPSPS protein. Monsanto's scientists also performed ELISA assays on the Scruggses' cotton to test for the presence of the BtCrylAc protein found in Bollgard cotton. The results

were consistent with the results of the PCR and DNA sequence testing.

2. The Scruggses' Rebuttal

Notwithstanding Monsanto's arsenal of proof, the Scruggses urge that the plaintiff cannot prove either of two premises: 1) that Monsanto's Roundup Ready and Bollgard technology are covered by the '605 and McPherson patents; or 2) that the Scruggses' seeds fall within the gene sequences claimed by the patents-in-suit. Defendants attempt to show a genuine issue of material fact by launching a three-pronged attack on Monsanto's evidence of infringement.

First, the Scruggses claim that neither Monsanto's biotechnology nor the plants in their fields are covered by the '605 and McPherson patents. As evidence, they point to literature published by Monsanto's scientists for the proposition that only a portion of the CaMV 35S promoter is actually present in Roundup Ready soybeans. Defendants contend that because the '605 patent claims whole promoters, rather than fragments of promoters, neither Monsanto's technology nor the plants in their fields meet the required elements of claims 1,2,3, and 4 of the '605 patent. However, the evidence does not support the defendants' position. Instead, what the record shows is part of the enhanced promoter region cleaved off during the transformation process which resulted in event 40-3-2--the actual CaMV 35S promoter remained intact. The '605 patent claims only a CaMV 35S promoter, not an enhanced promoter. Accordingly, this point of dispute is immaterial for summary judgment purposes.

Second, the defendants assert that the promoter sequences in Monsanto's Roundup Ready soybeans and Bollgard cotton do not match the sequences disclosed in the '605 patent. The only evidence the Scruggses offer is a comparison between the published scientific literature detailing the specific DNA sequence for the CaMV 35S

promoter present in Roundup Ready soybeans and the gene sequence given for one the examples of CaMV 35S promoters in the specifications for the '605 patent. One again, however, the defendants' assertions are not borne out by the evidence. The '605 patent does not claim a specific gene sequence; instead, the patent clearly specifies that various isolates of CaMV 35S promoters may be used to practice the inventions claimed under the '605 patent. Furthermore, the gene sequence disclosed in Example 3 of the patent specification is from the CM4184 strain, whereas the CaMV 35S promoter employed in Monsanto's Roundup Ready soybean technology is from a different isolate, i.e., that of the CaMV Cabb-Bs. The evidence of record demonstrates that when the known promoter sequence for Roundup Ready soybeans is compared to the published sequence information for the CaMV Cabb-Bs 35S promoter, the two sequences do, in fact, match. Accordingly, this evidence is also insufficient to defeat Monsanto's properly supported summary judgment motion.

Last, the Scruggses contend that all of Monsanto's test results should be disregarded because Monsanto's testing does not comply with accepted scientific standards. With regard to the ELISA analysis, defendants claim that the assays aren't specific enough to distinguish between the CP4 EPSPS and BtCrylAc proteins and other similar proteins-i.e., the presence of similar proteins might have caused the positive ELISA results in the test samples. Likewise, the Scruggses assert that the positive ELISA results might have been the product of contamination resulting from possible improper sampling and testing protocols on the part of Monsanto. Defendants employ a similar approach with regard to the PCR testing and DNA sequencing performed by Monsanto. That is, they assert that PCR testing detects only DNA fragments and that Monsanto's experts make bare unsupported assertions that the primers used in PCR testing will hybridize only to the

gene sequences of interest. The defendants also fall back on their contamination theory again, speculating that "if even *one molecule* of contamination exists in a sample ... the [PCR] amplification process will produce millions of amplicons of that molecule of contamination." Building on that theory, the Scruggses urge that the DNA sequencing tests should be disregarded because they are founded on the flawed PCR data, e.g., the DNA sequencing results might simply reflect DNA from contamination, not from the Scruggses' crops. However, in view of the fact that the Scruggses have offered no evidence to support their hypotheses, no reasonable trier of fact could find in their favor. Evidence based solely on surmise is insufficient to defeat summary judgment.[14]

The only question remaining is whether the crops in the defendants' fields meet the limitations of the patent claims at issue. Monsanto's Roundup Ready (soybean and cotton) and Bollgard (cotton) products are the only commercially available seed varieties which contain the CP4 EPSPS and BtCrylAc proteins. Likewise, they are the only products which employ the CaMV 35S promoter and/or the enhanced e-35S promoter. The test results point to a single, inescapable conclusion: the crops in the Scruggses' fields contained Monsanto's technology as claimed in its patents numbered '605, '938' 525 and '316.

With regard to the '605 patent, the soybeans found in the defendants' fields meet every element of claims 1, 2, 3 and 4. The tests conducted by Monsanto revealed the presence of a chimeric gene which consisted of a 35S promoter derived from the Cabb B-S strain of a cauliflower mosaic virus and a CP4 EPSPS protein derived from a bacterial strain called Agrobacterium CP4.

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[14] Monsanto's rebuttal thoroughly addresses each of the criticisms raised by the defendants through Dr. Folk. Review of the record as a whole fails to convince the court that a reasonable trier of fact could find fault with Monsanto's sampling, laboratory protocols, the testing or the results obtained therefrom.

Because the 35S promoter and the protein differ, the protein is heterologous with respect to the promoter.

With regard to the '605 and '938 patents, the cotton found in the Scruggses' fields meet every element of the claims at issue. The tests conducted by Monsanto revealed the presence of a chimeric gene with a transcription, initiation region composed of a tandemly duplicated CaMV 35S enhancer sequence made up of an AluI-EcoRV fragment of a CaMV 35 upstream region and a CaMV 35S promoter. The transcription initiation region was operably joined to a BtCrylAc protein sequence which was heterologous with respect to the CaMV 35S promoter.

The evidence of record also establishes that the defendants' cotton meet all of the necessary elements for the claims at issue in the '525 and '316 patents-e.g., the DNA construct and plant cells containing the DNA construct described above.[15] Because Monsanto has carried its burden of proving infringement of the '605, '938, '525 and '316 patents, the plaintiff is entitled to judgment as a matter of law on claims 2, 3, 4 and 5 of the Third Amended Complaint-unless the defendants can demonstrate the existence of a genuine issue of material fact as to one or more of their defenses.

II. Analysis of the Scruggses' Defenses

The Scruggses asserted numerous defenses to Monsanto's infringement action: lack of proper notice of the patents-in-suit; the existence of an implied license to use Monsanto's technology; the doctrines of first sale/patent exhaustion, violation of the PVPA, patent misuse and patent invalidity. The Court will address each of these defenses in turn.

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[15] The DNA sequencing performed also revealed the presence of the termination region necessary to meet the elements of the claims at issue in the '525 and '316 patents.

A. Notice of Patents

Title 35, section 287 of the United States Code requires a patent holder to inform the public of the patent status of an article in commerce. The patentee may do so in one of two ways: by providing actual notice to the infringer; or by constructive notice by marking the article with the patent number. SRI International, Inc. v. Advanced Technology Laboratories, Inc., 127F.3d 1462, 1469 (Fed. Cir. 1997). Monsanto urges that it satisfied the requirements of § 287 by providing the appropriate patent markings on all bags of Roundup Ready soybean and cotton seed and on its Bollgard cotton seed bags. In light of defendants' failure to contest this assertion, the Court finds Monsanto's motion well-taken with regard to the Scruggses' lack of notice defense.

B. Implied License

An alleged infringer who asserts an implied license as an affirmative defense to an infringement action bears the burden of proving the existence of that license. Carborundum Co. v. Molten Metal Equipment Innovations, Inc., 72 F.3d 872, 878 (Fed. Cir. 1995)(citing Bandag, Inc. v. Al Bolser's Tire Stores, Inc., 750 F.2d 903, 924 (Fed. Cir. 1984)). Any language used by the owner of the patent or any conduct on his part exhibited to another, from which the other may properly infer that the owner consents to his use of the patent in making or using it, or selling it, upon which the other acts, constitutes a license. Wommack, 715 F.2d at 969. Whether such a license exists may be decided as a matter of law where the applicable facts are not in dispute.

In this case, Monsanto's actions conclusively establish that defendants had no implied license to use Monsanto's patented biotechnology. It is undisputed that Monsanto requires all licensee seed companies to place the following notice and term of sale on all bags of seed containing Monsanto's patented biotechnology:

> THESE SEEDS ARE COVERED UNDER U.S. PATENTS ... THE PURCHASE OF THESE SEEDS CONVEYS NO LICENSE UNDER SAID PATENTS TO USE THESE SEEDS. A LICENSE MUST FIRST BE OBTAINED FROM **MONSANTO COMPANY** BEFORE THESE SEEDS CAN BE USED IN ANY WAY.

This notice vitiates any assertion that Monsanto induced the Scruggses to rely upon any perception that they had a right to use the soybean and/or cotton seed for even one season without first obtaining an express license from Monsanto.

As a further matter, the record is clear that Monsanto only authorizes the sale of its patented biotechnology to licensed growers. Accordingly, the defendants cannot claim any rights to use Monsanto's seed technology merely because the retailers from whom the defendants obtained their seeds did not first require the Scruggses to execute a license agreement. Aro Mfg. Co. V. Convertible Top Replacement Co., 377 U.S. 476, 84 S. Ct. 1525 (1964) ("With Ford lacking authority to make and sell, it could by its sale of the cars confer on the purchasers no implied license to use, and their use of the patented structures was without authority and infringing under s 271(a) . . . where use infringes, repair does also, for it perpetuates the infringing use."); General Talking Pictures Corp. v. Western Electric Co., 304 U.S. 175, 181 58 S. Ct. 849 (1938). See also AMJUR PATENTS § 1208 ("Moreover, a purchaser from the licensee of a patented machine takes the risk, as against the real owner, whether the title of the seller is such as to enable him to make a valid conveyance; notice is not required."). Defendants had no reasonable expectation that they could use Monsanto's patented biotechnology unless they first obtained a

license.[16] Accordingly, Monsanto is entitled to judgment as a matter of law on the defendants' implied license defense.

C. First Sale/Patent Exhaustion

Monsanto also seeks summary judgment on the defendants' defense of first sale/patent exhaustion. The premise of this doctrine is that the first sale by a patentee of an article embodying his invention exhausts his patent rights in the article. See Bangad, Inc. v. Al Bolser's Tire Stores, Inc., 750 F.2d 903, 924 (Fed. Cir. 1984) (citing United States v. Univis Lens Co., 316 U.S. 241, 250-52, 86 L.Ed. 1408, 62 S. Ct. 1088 (1942)). However, in making this claim, the defendants presuppose an unrestricted sale of the patented technology. As previously noted by the Court, Monsanto never made an unrestricted sale of its seed technology. The Federal Circuit recognized some time ago that where a patentee imposes restrictive terms of sale, there is no right to unrestricted use of the patented product. Mallinkrodt Inc. v. Medipart, Inc., 976 F.2d 700 (Fed. Cir. 1992). Application of these legal principles to the present case produces a clear result.

Monsanto licensed its technology to seed companies with a proviso: subsequent sales of seed containing Monsanto's transgenic trait must be limited to growers who obtain a license from Monsanto and for only a single growing season. Absent a showing that Monsanto's licensing provisions violate some other law or policy, they

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[16] In Monsanto v. Trantham, 156 F. Supp.2d 855, 870 (W. D. Tenn. 2001), the United States District Court for the Western District of Tennessee employed the same analysis in concluding that the alleged infringer had no implied license to utilize Monsanto's technology: "Defendant was on notice at the time of the sale that in order to avoid infringing on Plaintiff's patents, he had to obtain a license from Plaintiff prior to use. Under these circumstances, no grant of implied license should be inferred..."

are enforceable.[17] Since Monsanto never made an unrestricted sale of its technology, the doctrine of first sale/patent exhaustion afford no protection to the Scruggses.

D. Violation of the PVPA

Plaintiff also seeks summary judgment on the defendants' Plant Variety Protection Act (hereafter PVPA) counterclaim/defense. Monsanto's brief relies on the United States Supreme Court's decision in J.E.M. AG Supply, Inc., D/B/A Farm Advantage, Inc., v. Pioner Hi-Bred International, Inc., 122 S.Ct 593 (2001) (holding that utility patents for plants, plant parts, and seeds are valid under 35 U.S.C. § 101, and therefore, patent holders may limit or restrict use of their plant technology). Defendants conceded at oral argument that the J.E.M. Ag Supply decision forecloses their claim that Monsanto violated the provisions of the PVPA and that they merely wish to preserve their argument for appeal. In light of the controlling legal precedent, the Court concludes that Monsanto is entitled to judgment as a matter of law on the defendants' PVPA counterclaim/defense.

E. Patent Misuse

Monsanto also seeks summary judgment on the defendants' patent misuse counterclaim.[18] Here, plaintiff

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[17] Defendants have challenged the plaintiff's licensing restrictions and other marketing practices on grounds that they violated federal antitrust laws and constituted patent misuse. Those claims and defenses will be discussed more thoroughly in a separate Memorandum Opinion addressing Monsanto's Motion for Summary judgment on Counts Six, Seven, Eight and Nine.

[18] Subsection E. herein addresses only the defendants' characterization of patent misuse as a counterclaim. The merits of the Scruggses' patent misuse defense is addressed more thoroughly in a separate Memorandum Opinion addressing Monsanto's Motion for Summary Judgment on Counts Six, Seven, Eight and Nine of Defendant's Counterclaim. See note 17 infra.

points out that the defendants' effort to convert the affirmative defense of patent misuse into a claim for "compensatory damage, costs, and attorneys' fees" is contrary to law. See B. Braun Medical, Inc. v. Abbott Laboratories, 124 F.3d 1419, 1428 (Fed. Cir. 1997)("In this regard, contrary to the district court's opinion, monetary damages may not be awarded 'under a declaratory judgment Counterclaim based on patent misuse,' ... [i]n other words, the defense of patent misuse may not be converted to an affirmative claim for damages by restyling it as a declaratory judgment Counterclaim."). Defendants conceded Monsanto's position on this issue at oral argument. Accordingly, the Court finds that Monsanto is entitled to summary judgment on Count Eight of the Scruggses' Counterclaim.

F. Patent Invalidity

Monsanto also seeks summary judgment on the Scruggses' defense of patent invalidity. The defendants urge the Court to find the patents in suit invalid for failure to meet the written description and enablement requirements of 35 U.S.C. § 112.

A patent is entitled to a presumption of validity. 35 U.S.C. § 282. Its validity endures until a challenger carries its burden of persuading the decisionmaker that the patent can no longer be accepted as valid. Stratoflex, Inc. v. Aeroquip Corp., 713 F.3d 1530, 1534 (Fed. Cir. 1983). The burden of proving invalidity lies with the party who attacks a patent's validity. H.H. Robertson Co. v. United Steel Deck, Inc., 820 F.2d 384, 387 (Fed. Cir. 1987). That burden is one of clear and convincing evidence. Loctite Corp. v. Ultraseal Ltd., 781 F.2d 861, 872 (Fed. Cir. 1985). Where a defendant cannot meet that

burden, the court need only so state. It is not necessary for the Court to "validate" the patents in suit.[19]

Section 112 of the patent laws requires that an applicant for a patent produce certain minimum information in the application:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

35 U.S.C. § 112.

The Scruggses invalidity argument targets the "written description" requirement of § 112. The defendants urge the Court to conclude that the written description of the patented inventions is deficient because the specification fails to detail the specific gene sequences claimed to be covered under the patent. They rely on the proposition that an adequate written description of genetic material "requires a precise definition, such as by structure, formula, chemical name, or physical properties." Enzo Biochem, Inc. v. Gen-Probe Inc., 296 F.3d 1316. 1324 (Fed. Cir. 2002). They also contend that Monsanto's patents do not meet a more lenient version of the written description requirement for genetic materials, e.g., that of disclosing relevant identifying characteristics "coupled with a known or disclosed correlation between function and structure, or some combination of such characteristics." Id.

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[19] This is because the same patents might be shown to be invalid under another record.

Monsanto's motion and supporting briefs focus on the purpose of the written description requirement-i.e., that of conveying the information that an applicant invented the claimed subject matter and, that the applicant was in possession of the claimed invention as of the filing date of the application, In re Barker, 559 F.2d 588, 592 (C.C.P.A. 1977); In re Wertheim, 541 F.2d 257, 262 (C.C.P.A. 1976). Furthermore, they clarify the Federal Circuit's teachings in Enzo. That is, not all functional descriptions of genetic material necessarily fail to meet the written description requirement; the requirement may be satisfied if in the knowledge of the art, the disclosed function is sufficiently correlated to a particular, known structure. Plaintiff also points out that the cases cited by the Scruggses apply only in cases where the claimed subject matter is defined solely by its function or the desired result of its use. Regents of the University of California v. Eli Lillv & Co., 199 F.3d 1559, 1568 (Fed. Cir. 1997); Enzo, 296 F.3d at 1322. Monsanto avers that its claims do not rely merely on the function or biological activity to define the subject matter; instead, they claim subject matter defined in terms of detailed, relevant identifying characteristics. Also because the biological materials utilized by the patents are not new or unknown, there is no likelihood that those with ordinary skill in the art would misunderstand the claims.[20] Finally, Monsanto asserts that, with regard to the '605 patent, the patent specification references sources of various strains of the cauliflower mosaic virus which contain the 35S promoter; many of those strains have been deposited with and are available at the American Type Culture Center. Monsanto contends that those deposits comport with the § 112 written description requirement as well. Enzo, 323 F.3d at 965.

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[20] The DNA sequence of the 35S promoter disclosed and included as a limitation in Monsanto's patent claims, is identical to that of CaMV Cabb B-S [Franck et al. (1980) Cell 21:285-294; GenBank accession number V00141].

After examining the patent specification, especially in light of the breadth of the claims, the Court concludes that Monsanto's patents do comply with the written description requirement. The patents never claim a particular gene sequence as a requisite to the inventions claimed-nor do they claim to have invented, or discovered, any previously unknown DNA. Instead, as described in the section of the opinion dealing with claims construction, the patents teach how to create chimeric genes using plant virus promoters to express proteins derived from unrelated biologic sources. The patent specifications clearly describe promoters already known to those skilled in the art. Publication of the specific gene sequences for each possible embodiment of the claimed inventions was simply unnecessary.

The defendants further reason that the lack of specific sequencing information affects enablement. They claim that there are millions of possible permutations of nucelotide sequences for the CaMV promoters utilized by Monsanto; and that relatively minor changes in sequencing may have a dramatic effect on the promoter's function. Therefore, they claim, the specification fails to put the public in possession of the invention. The defendants also aver that the sheer breadth of Monsanto's patent claims should result in a finding of invalidity. In response, Monsanto points to the lack of any proof to support such a claim. Satis Vacuum Industries Vertriebs A.G. v. Optovision Technologies, Inc., No. 3:99-CV-2147-M, 2001 U.S. Dist. LEXIS 15043, at *46 (RD. Tex. July 26, 2001) (granting summary judgment in favor of plaintiff on affirmative defense of patent invalidity where nothing in the record showed that defendant or anyone else attempted to replicate the patented device, thus rendering defendant's claim of lack of enablement speculative.

Having reviewed the materials submitted, along with the applicable legal authorities, the Court is persuaded

that the defendants have not come forward with evidence from which a reasonable trier of fact could find in their favor on their defense of patent invalidity-especially in view of the heavy burden they would have to carry. Accordingly, the Court finds that Monsanto is entitled to judgment as a matter of law on the Scruggses' patent invalidity defense.

CONCLUSION

Based on the foregoing facts and analysis, the Court finds that the plaintiffs Motion for Summary Judgment on Counts Two, Three, Four, Five of Plaintiff s Complaint is well-taken and should be granted. It follows, therefore, that the defendants' Motion for Summary Judgment on Counts Two, Three, Four and Five of Plaintiffs' Third Amended Complaint is not well-taken and should be denied. An Order will issue accordingly.

This, the 14th day of June, 2004.

/s/ W. Allen Pepper, Jr.
UNITED STATES DISTRICT JUDGE
W. ALLEN PEPPER, JR.

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI
WESTERN DIVISION

MONSANTO COMPANY PLAINTIFF

VERSUS CIVIL ACTION NO. 3:00CV161-P-A

MITCHELL SCRUGGS,
EDDIE SCRUGGS, and
SCRUGGS FAMILY FARM SUPPLY DEFENDANTS

[Entered: July 6, 2004]

ORDER

This cause is before the Court on the plaintiff's Motion for Summary Judgment on Counts Two, Three, Four, Five, and Eight of Plaintiff's Complaint (Monsanto's Patent Infringement Claims) [399-1]. The Court, having considered the motion and being otherwise fully advised in the premises, finds as follows, to-wit:

In accordance with the Memorandum Opinion entered this day, the Court finds that the plaintiff's Motion is well-taken and should be sustained.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the plaintiff's Motion for Summary Judgment on Counts Two, Three, Four, Five and Eight of Plaintiff's Complaint (Monsanto's Patent Infringement Claims) [399-1] is well-taken and should be, and hereby is, GRANTED.

This, the 14th day of June, 2004.

/s/ W. Allen Pepper, Jr.
W. ALLEN PEPPER, JR.
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI
WESTERN DISTRICT

MONSANTO COMPANY PLAINTIFF

VERSUS CIVIL ACTION NO. 3:00CV161-P-A

MITCHELL SCRUGGS,
EDDIE SCRUGGS, and
SCRUGGS FAMILY FARM SUPPLY DEFENDANTS

[Entered July 6, 2004]

MEMORANDUM OPINION

This cause is before the Court on Monsanto's Motion for Summary Judgment on Counts Six, Seven, Eight and Nine of Defendants' Counterclaim (Defendants' Antitrust Claims) [401-1]. The Court, having reviewed the motion, the response, the briefs of the parties, the authorities cited and being otherwise fully advised in the premises, finds as follows, to-wit;

FACTUAL BACKGROUND

In the mid-1990's, Monsanto launched revolutionary new agricultural technologies. The new technologies have been described ad infinitum in other Memorandum Opinions issuing from the Court, as has the defendants' unauthorized use and replication of seed containing Monsanto's patented biotechnology. When Monsanto sued them for patent infringement, the Scruggses categorically denied liability for their conduct and turned the tables on Monsanto by alleging that Monsanto's commercial practices not only violated federal and state antitrust laws, but also constituted patent misuse. The allegations, if proven true, are an absolute defense to Monsanto's infringement action.

The defendants target the gamut of Monsanto's marketing strategies as they pertain to Roundup Ready

and Bollgard traits, Roundup Ready and Bollgard seed and the entire line of Roundup herbicide products. Very broadly broken down, the principal foci of the Scruggses' attack are Monsanto's agreements with its seed partners, Monsanto's agreements with seed and herbicide dealers and Monsanto's dealings with individual growers. They contend Monsanto imposed restrictive terms at each level of the market for its technologies and that those restrictive terms amounted to unlawful restraints on trade. That same conduct, they argue, enabled Monsanto to extend its monopoly power in the markets for traits, seed and glyphosate herbicide.

After ample opportunity for discovery, Monsanto filed its Motion for Summary Judgment. The motion seeks dismissal of the defendants' federal and state antitrust claims as denominated in Counts Six, Seven and Nine. The motion also seeks judgment as a matter of law on the Scruggses' affirmative defense of patent misuse as denominated in Count Eight. The motion has been fully briefed and the Court is ready to rule.

STANDARD OF REVIEW

Rule 56(c) of the Federal Rules of Civil Procedure authorizes summary judgment where "the pleadings, depositions, answers to interrogatories and admissions on file, together with affidavits, if any, show that there is no genuine dispute as to any material fact and that the moving party is entitled to judgment as a matter of law. Celotex Corporation v. Catrett, 477 U.S. 317, 322, 91 L.Ed.2d 265, 106 S. Ct. 2548 (1986). The existence of a material question of fact is itself a question of law that the district court is bound to consider before granting summary judgment. John v. State of La. (Bd. Of T. for State C. & U., 757 F.2d 698, 712 (5th Cir. 1985).

A judge's function at the summary judgment stage is not himself to weigh the evidence and determine the truth of the matter, but to determine whether there is a

genuine issue for trial. There is no issue for trial unless there is sufficient evidence favoring the non-moving party for a jury to return a verdict for that party. If the evidence is merely colorable, or is not significantly probative, summary judgment may be granted. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 91 L.Ed.2d 202, 106 S. Ct. 2505 (1986).

Although Rule 56 is peculiarly adapted to the disposition of legal questions, it is not limited to that role. Professional Managers, Inc. v. Fawer, Brian, Hardy & Zatzkis, 799 F.2d 218, 222 (5th Cir. 1986). "The mere existence of a disputed factual issue, therefore, does not foreclose summary judgment. The dispute must be genuine, and the facts must be material." Id. "With regard to 'materiality', only those disputes over facts that might affect the outcome of the lawsuit under the governing substantive law will preclude summary judgment. Phillips Oil Company, v. OKC Corporation, 812 F.2d 265, 272 (5th Cir. 1987). Where "the summary judgment evidence establishes that one of the essential elements of the plaintiff's cause of action does not exist as a matter of law, ... all other contested issues of fact are rendered immaterial. See Celotex, 477 U.S. at 323, 106 S. Ct at 2552. Topalian v. Ehrman, 954 F.2d 1125, 1138 (5th Cir. 1992).

In making its determinations of fact on a motion for summary judgment, the Court must view the evidence submitted by the parties in a light most favorable to the non-moving party. McPherson v. Rankin, 736 F.2d 175, 178 (5th Cir. 1984).

The moving party has the duty to demonstrate the lack of a genuine issue of material fact and the appropriateness of judgment as a matter of law to prevail on his motion. Union Planters Nat. Leasing v. Woods, 687 F.2d 117 (5th Cir. 1982). The movant accomplishes this by informing the court of the basis of its motion, and by

identifying portions of the record which highlight the absence of genuine factual issues. Topalian, 954 F.2d at 1131.

"Rule 56 contemplates a shifting burden: the nonmovant is under no obligation to respond unless the movant discharges [its] initial burden of demonstrating [entitlement to summary judgment]." John, 757 F.2d at 708. "Summary judgment cannot be supported solely on the ground that [plaintiff] failed to respond to defendants' motion for summary judgment," even in light of a Local Rule of the court mandating such for failure to respond to an opposed motion. Id. at 709.

However, once a properly supported motion for summary judgment is presented, the nonmoving party must rebut with "significant probative" evidence. Ferguson v. National Broadcasting Co., Inc., 584 F.2d 111, 114 (5th Cir. 1978). In other words, "the nonmoving litigant is required to bring forward 'significant probative evidence' demonstrating the existence of a triable issue of fact." In Re Municipal Bond Reporting Antitrust Lit., 672 F.2d 436, 440 (5th Cir. 1982). To defend against a proper summary judgment motion, one may not rely on mere denial of material facts nor on unsworn allegations in the pleadings or arguments and assertions in briefs or legal memoranda. The nonmoving party's response, by affidavit or otherwise, must set forth specific facts showing that there is a genuine issue for trial. Rule 56(e), Fed. R. Civ. P. See also Union Planters Nat. Leasing v. Woods, 687 F.2d at 119.

While generally "[t]he burden to discover a genuine issue of fact is not on [the] court, (Topalian, 954 F.2d at 1137), "Rule 56 does not distinguish between documents merely filed and those singled out by counsel for special attention-the court must consider both before granting a summary judgment." John, 757 F.2d at 712, quoting

Keiser v. Coliseum Properties, Inc., 614 F.2d 406, 410 (5th Cir. 1980).

LEGAL ANALYSIS

Antitrust Counterclaims

Monsanto's motion launches a two-pronged attack on the Scruggses' antitrust claims. In the first instance, they allege that the defendants lack standing to bring their federal antitrust claims. In the second, they urge that the defendants' claims also fail on their merits. The Court will address each of these arguments in turn.

I. Federal Antitrust Claims

A. Standing Inquiry

The defendants' counterclaim seeks both damages and injunctive relief under the federal antitrust laws. At oral argument, counsel for Monsanto conceded defendants' standing to seek injunctive relief under § 16 of the Clayton Act. 15 U.S.C. § 26. Monsanto's motion attacks only the defendants' standing to bring a private damages action under § 4 of the Clayton Act. 15 U.S.C. § 15. In light of the Court's decision on the merits of the antitrust counterclaims, infra, it is unnecessary to address Monsanto's standing argument.

B. Merits Inquiry

1. Conduct Falling Within the Patent Grant

This case implicates the peculiar intersection between the public interest in rewarding and encouraging innovation protected by the patent laws and the public interest in safeguarding competition protected by the antitrust laws. On the one hand, "[intellectual property rights do not confer a privilege to violate the antitrust laws." In re Indep. Serv. Orgs. Antitrust Litig., 203 F.3d 1322, 1325 (Fed. Cir. 2000). On the other, "conduct permissible under the patent laws cannot trigger any

liability under the antitrust laws." SCM Corp. v. Xerox Corp., 645 F.2d 1195, 1206 (2d Cir. 1981). "The patent laws ... are in pari materia with the antitrust laws and modify them pro tanto." Simpson v. Union Oil Co. Of Cal., 377 U.S. 13, 24, 12 L.Ed.2d 98, 84 S. Ct. 1051 (1964). On balance, a patent holder may be held accountable under the antitrust laws only if its conduct falls outside the ambit of protection afforded by the patent laws. U.S. v. Line Material Co., 333 U.S. 287, 308, 92 L.Ed. 701, 68 S. Ct. 550 (1948). Two questions are paramount. What conduct do the Scruggses condemn as anticompetitive? Is that conduct protected under the patent laws?

Since introducing its biotechnology in 1996, Monsanto has always imposed certain requirements on growers through licensing provisions in its contracts with seed partners and individual farmers. The agreements have always: a) required growers to only use seed containing Monsanto's biotechnology for planting a single crop; b) prohibited transfer or re-use of seed containing the biotechnology for replanting; and c) required payment of a royalty fee. Exhibits A and B to Monsanto's Motion for Summary Judgment.

Monsanto's no replant policy and its decision to charge growers a uniform technology fee are among the many practices the Scruggses target as anti-competitive. Monsanto urges its licensing provisions are a valid exercise of its rights under the patent laws. With regard to the ban on seed saving, Monsanto characterizes the restriction as nothing more than a limited use license, a practice permitted under the patent laws. Mallinckrodt, Inc. v. Medipart, Inc., 976 F.2d 700, 703 (Fed. Cir. 1992). This Court adopted that position in ruling on Monsanto's motion for a preliminary injunction, Monsanto Co. v. Scruggs, 249 F. Supp.2d 746, 754 (N.D. Miss. 2001). In the interim since that decision, the Federal Circuit Court of Appeals considered the identical no replant policy and held that "the restrictions in the Technology Agreement

prohibiting the replanting of the second generation of ROUNDUP READY® soybeans do not extend Monsanto's rights under the patent statute." Monsanto Co. v. McFarling, 363 F.3d 1336, 1343 (Fed. Cir. 2004). Accordingly, Monsanto's no replant policy is not subject to challenge under the antitrust laws.

With respect to Monsanto's imposition of uniform technology fees on all growers, the defendants contend Monsanto's practice is merely a guise for an illegal price fixing scheme. Monsanto urges its technology fees are simply royalties and that the patent laws permit it to charge any royalty it chooses. Brulotte v. Thys Co., 379 U.S. 29, 13 L.Ed.2d 99, 85 S. Ct. 176 (1964). Monsanto's position is correct. The patent laws permit a patentee to "exact royalties as high as he can negotiate with the leverage of that [patent] monopoly." Id. at 33. Because its collection of a uniform technology fee is within the scope of the patent grant, Monsanto cannot be liable for a violation of the antitrust laws.

Defendants also attack Monsanto's refusal to license its soybean seed partners to stack the Roundup Ready trait with transgenic traits developed by Monsanto's competitors, as well as the provision expressly limiting the license grant by forbidding its seed partners from "engaging in any research or experimentation with 'Monsanto Know-How And Biological Material' or 'Licensed Patent Rights.'" Defendants' Memorandum at p. 17. The Court declines the defendants' invitation to scrutinize these restrictions; they are clearly field of use restrictions which fall within the scope of the patent monopoly and are, therefore, lawful. B. Braun Medical, Inc. v. Abbott Laboratories, 124 F.3d 1419, 1426 (Fed. Cir. 1997).

2. Sherman Act § 1 Claims

The Scruggses challenge numerous other aspects of Monsanto's business conduct as violative of § 1 of the

Sherman Act. Section 1 provides: "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal." 15 U.S.C. § 1. Recovery for a violation of § 1 requires proof of 1) a contract, combination or conspiracy 2) affecting interstate commerce 3) which imposes an unreasonable restraint of trade. Dillard v. Merrill Lynch, Pierce, Fenner & Smith, Inc., 961 F.2d 1148, 1158 (5th Cir. 1992).

The analytical approach to a § 1 claim differs depending on the nature of the challenged conduct. "Certain arrangements are conclusively presumed to be unreasonable restraints of trade, simply by virtue of their obvious and necessary effect on competition." E.A. McQuade Tours, Inc. v. Consolidated Air Tour Manual Committee, 467 F.2d 178, 186 (5th Cir. 1972). Conduct of this type is per se illegal. All other activities are subject to more laborious scrutiny under what is known as the rule of reason. Defendants' urge their right to recover for violations of § 1 under both analytical models.[1] The Court will address each claim in turn.

a. Per Se Analysis

"A tying arrangement is the sale or lease of one product on the condition that the buyer or lessee purchase a second product." Breaux Bros. Farms, Inc. v. Teche Sugar Co., Inc., 21 F.3d 83, 86 (5th Cir. 1994). The desired product is called the 'tying' product; the other is the 'tied' product." United Farmers Agents Ass'n, Inc. v. Farmers Ins. Exch., 89 F.3d 233,236 n. 2 (5th Cir. 1996) (citing 9 Phillip E. Areeda, *Antitrust Law* ¶ 1700a (1991)). The essence of a tying claim is forcing. Jefferson Parish

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[1] Still other conduct may fall into a hybrid category known as a "quick look" § 1 case. Other than Monsanto's no replant policy already addressed supra, defendants do not contend that any of Monsanto's conduct fails the "quick look" test.

Hosp. Dist. No. 2 v. Hyde, 466 U.S. 2, 13, 80 L.Ed.2d 2, 104 S. Ct. 1551 (1984). To prove a per se tying claim, a plaintiff must show: 1) the involvement of two separate products or services; 2) the sale of one product or service is conditioned on the purchase of another; 3) the seller has sufficient economic power in the market for the tying product; and 4) an effect on a not insubstantial amount of interstate commerce in the tied product. Eastman Kodak Co. v. Image Tech. Serv., Inc., 504 U.S. 451, 461-62 (1992).

Defendants allege Monsanto engaged in illegal tying on four fronts.[2] They claim Monsanto tied the purchase of seed to the purchase of Roundup through its grower license agreements and grower incentive agreements, as well as its seed partner agreements. As a further matter, the Scruggses argue that Monsanto illegally tied the

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[2] Defendants also alleged that Monsanto's no replant policy creates a de facto tie between traits and germ plasm; however, the Federal Circuit considered precisely the same argument in McFarling and found it insufficient as a matter of law:

> We need not plumb the complexities of tying . . ., however, to determine that the district court correctly granted summary judgment for Monsanto. McFarling does not raise a typical tying allegation, and the mere recitation of the word "tying" is not sufficient....
>
> McFarling's "tying" argument instead centers on his desire to replant the entire seed, including the genetic modifications, and on Monsanto's refusal to grant him permission to do so. . . . At its simplest, McFarling effectively argues . . . that he should be granted a compulsory license to use the patent rights in conjunction with the second-generation ROUNDUP READY® soybeans in his possession after harvest. We decline to hold that Monsanto's raw exercise of its right to exclude from the patented invention by iself is a "tying arrangement" . . . .

McFarling, 363 F.3d at 1342. The defendants also claimed that Monsanto tied the use of its traits to the purchase of seed in subsequent years. This, too, is an attack on Monsanto's no replant policy. It likewise fails.

Roundup and Bollgard traits in cotton seed. The Court will address each of these arguments in turn.

i. Monsanto's Grower License Agreements

Defendants contend that the grower license agreements utilized by Monsanto from 1996 to 1998 employed a blatant tie between seed containing Monsanto's patented Roundup Ready trait and Roundup herbicide. The pertinent portion of the 1996 technology agreement reads:

> The Grower further agrees that if the Grower uses any glyphosate . . . containing herbicide in connection with the soybean crop produced from this seed, the herbicide will be a ROUNDUP® BRANDED HERBICIDE (or other Monsanto authorized glyphosate-containing herbicide) labeled for use on ROUNDUP READY® soybeans. No other glyphosate containing herbicide may be used with this patent-protected seed.

Exhibit A to Monsanto's Motion for Summary Judgment. The 1997 and 1998 agreements provided: "If a herbicide containing the same active ingredient as Roundup Ultra herbicide (or one with a similar mode of action) is used over the top of Roundup Ready crops, you agree to use only Roundup branded herbicide." Exhibit 2 to Scruggses' Supplemental Submission in Opposition to Monsanto's Motion for Summary Judgment.

Defendants contend the above-quoted language coerced growers into using Monsanto's Roundup line of herbicides when they may have preferred other brands of glyphosate-based herbicide. Monsanto contends, first and foremost, that nothing in the grower license agreements compelled farmers to purchase Roundup. Growers could choose not to use any herbicide "over-the-top" of Roundup Ready crops. They could also choose to use any non-glyphosate herbicide "over-the-top" of Roundup Ready

crops. With regard to its prohibition on glyphosate-based herbicides other than Roundup, Monsanto avers that the restriction was necessary to assure compliance with the mandates of the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). 7 U.S.C. § 136 et seq. FIFRA prohibits the use of any herbicide in a manner inconsistent with its labeling. 7 U.S.C. § 136j(2)(G). Because Roundup was the only product labeled for use "over-the-top" of Roundup Ready crops between 1996 and 1998, it was the only EPA-approved herbicide that could be used on Roundup Ready crops during that period. Beginning in 1999, Monsanto's license agreements and/or technology use guides authorized the use of any competing glyphosate herbicide which met EPA labeling requirements for "over-the-top" use as a permissible alternative to Roundup.

Defendants contend in their supplemental submission that the language in the 1996 technology license prohibits any use of non-Roundup glyphosate herbicide, not just "over-the-top" use. Read in isolation, defendant's interpretation might be reasonable. However, defendants' own submissions belie that interpretation. Defendant's Exhibit 59 also relates to the 1996 licensing restriction. It reads: "The Grower will use only Roundup branded herbicide if a herbicide containing glyphosate or any other EPSP synthase inhibitor is used over the top of Roundup Ready soybeans." Exhibit 59 to Defendant's Opposition to Monsanto's Motion for Summary Judgment (emphasis added). Defendants tout the fact that competing herbicides Glyfos and Touchdown were approved for certain uses with soybean crops as early as 1996, but they cannot disavow the fact that neither herbicide met the labeling requirements for "over-the-top" use during the growing season. Nor is there any evidence before the Court from which a reasonable trier of fact could conclude that Monsanto's license agreement prohibited the application of competing glyphosate products for burndown or as a mere harvest aid. Based on

the record before the Court, defendants have failed to meet their burden of producing significant probative evidence that Monsanto forced farmers who wanted to purchase Roundup Ready seeds to purchase Roundup as well.[3]

ii. Monsanto's Grower Incentive Programs

The Scruggses also find fault with the Roundup Rewards program Monsanto offers to farmers. They assert that this program too constitutes an illegal tying scheme between Roundup Ready seed and Roundup herbicide. This claim is easily disposed of. Defendants cannot demonstrate the coercion necessary to a tie-in. Growers who participate in the incentive program receive additional, voluntary benefits if they elect Roundup agricultural herbicides as the only systemic, non-selective herbicide to be used for burndown or in-crop applications on crops containing Monsanto traits. The program, is entirely optional; customers who participate do so because they benefit from the incentives, not because Monsanto compels them to do so. Since the sale of Roundup Ready seed is not conditioned upon the

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[3] The same is true with regard to the defendants' challenge to Monsanto's grower license agreements since 1999. The Court categorically rejects the assertion that Monsanto's failure to list all approved non-Roundup glyphosate herbicides in the technology agreement causes consumer confusion and unduly bolsters Monsanto's branded products. The agreement provides: "Grower [a]grees . . . [t]o use on Roundup Ready crops only a Roundup® agricultural herbicide or other authorized non-selective herbicide which could not be used in the absence of the Roundup Ready gene (see TUG [Technology Use Guide] for details on authorized non-selective products)." The language used communicates that glyphosate-based herbicides other than Roundup may be used with Roundup Ready crops and that additional information about alternative glyphosate-based herbicides may be obtained from the TUG. The 2003 TUG provides: "You may use another glyphosate herbicide, but only if it has been approved for use over Roundup Ready crops, and it has been labeled for this use by all required governmental agencies." The farmer need only consult the label of any competing glyphosate product to determine whether the product is suitable for use over-the-top of Roundup Ready crops.

purchase of Roundup herbicide, there is no tying arrangement. "It is only when the buyer's freedom to choose a given product is restricted that the tying doctrine comes into play: so long as the 'buyer is free to take either product by itself there is no tying problem.'" Ungar v. Dunkin' Donuts of Amer., Inc., 531 F.2d 1211, 1226 (3d Cir. 1976) (quoting N. Pac. Ry. v. United States, 356 U.S. 1, 6 n. 4, 2 L.Ed.2d 545, 78 S. Ct. 514 (1958)).

iii. Monsanto's Seed Partner Agreements[4]

Defendants also attack the terms of Monsanto's agreements with its seed partners. They contend Monsanto conditions the extension of licenses to its seed partners on an agreement to use Roundup herbicide. Among the Scruggses' exhibits are numerous copies of licensing agreements with various seed partners. An excerpt from Monsanto's with Griffith Seed Company is representative:

> 3.10 If **GRIFFITH**, directly or indirectly, used any **GLYPHOSATE** containing herbicide or any other EPSP synthase inhibitor herbicide in connection with the **SOYBEAN** crop produced from **LICENSED COMMERCIAL SEED**, the herbicide shall be a **ROUNDUP® HERBICIDE** labelled for use on ROUNDUP READY **SOYBEANS**. No other **GLYPHOSATE** or other EPSP synthase inhibitor herbicide may be used with the

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[4] The Court doubts defendants' standing to challenge this aspect of Monsanto's seed partner agreements. A party who seeks injunctive relief under the antitrust laws must demonstrate some threatened loss or damage to his own interests. Cargill, Inc. v. Monfort of Colorado, Inc., 479 U.S. 104, 111, 93 L.Ed.2d 427, 107 S. Ct. 484 (1986). Defendants have made no showing that they are in a position to market competing glyphosate-based herbicides to any of Monsanto's seed partners, and the Court cannot conceive of any other harm which might inure to defendants from the complained of provisions.

> patent-protected seed. This provision shall not limit the use of herbicides other than **GLYPHOSATE** on such **SOYBEAN** germplasm.

Exhibit 16 to Defendants' Supplemental Submission in Opposition to Monsanto's Motion for Summary Judgment at p. 2.

Defendants fall short of demonstrating that Monsanto forces its seed partners to buy Roundup herbicide in order to obtain a desired license. Although the provision at issue forecloses seed partners from using glyphosate-based herbicides other than Roundup, Monsanto's seed partners are under no compulsion to buy Roundup. The seed partners remain free to refrain from the use of any glyphosate-based herbicide. They are likewise free to use any non-glyphosate herbicide they choose.

Furthermore, the nature of the business relationship between Monsanto and its seed partners provides an additional basis for a refusal to extend per se treatment to any alleged tie. The contract expressly provides that the parties seek "arrangements under which **MONSANTO** would license soybean growers the right to use **LICENSED COMMERCIAL SEED** exhibiting such resistance to **ROUNDUP® HERBICIDE** . . . and **GRIFFITH** (or its dealers or distributors) would produce and sell **LICENSED COMMERCIAL SEED** to soybean growers." Exhibit 16 at p. 1. All of the seed produced pursuant to the agreement bears Monsanto's Roundup Ready trademark-in essence warranting the product's suitability for use with Roundup. Accordingly, Monsanto has a vested interest in ensuring that seed so marketed is, indeed, tolerant to Roundup. The tie, if there be a tie, is not appropriate for per se treatment.

iv. Monsanto's Stacked Trait Cotton

Defendants also raise a tying claim in relation to stacked trait cotton. The Scruggses allege that Monsanto tied the sale of cotton containing the Roundup Ready trait to cotton containing the Bt trait. No lengthy analysis is necessary to dispose of this claim.

Nothing in the record remotely suggests that growers who wanted to purchase Roundup Ready cotton seed also had to purchase Bollgard seed. Instead, the defendants complain that Monsanto's required its seed partners to focus on stacked trait cotton (seed containing both the Roundup Ready and Bollgard traits) to the exclusion of single trait seed, e.g., cotton seed containing only the Roundup Ready gene. There are numerous problems with defendants' argument. In the first instance, it is unlikely that defendants can demonstrate the requisite tie between two products-as opposed to a bundling of desirable traits into a single product offered to the consumer.

But beyond that, the record does not support the defendants' claim that Monsanto engineered a shortage of single trait cotton seed which "forced" growers to buy stacked trait seed when they would have preferred to purchase single trait Roundup Ready seed. Monsanto offered the affidavits of Don Threet and Randy Deaton to dispel the defendants' assertions in that regard. Exhibits C and K in Opposition to Defendants' Motion to Reconsider Preliminary Injunction. Mr. Threet, Vice President of U.S. Business of Emergent Genetics US, Inc. (formerly Stoneville Pedigreed Seed Company), testified that his company began offering single trait Roundup Ready cottonseed in 2001 and the number of cotton lines containing the Roundup Ready trait alone has steadily increased since that time. He further testified that his company has no awareness of a "shortage" of cottonseed containing only the Roundup Ready trait; Emergent

knows there is a demand for single trait cottonseed and the company plans to continue offering single trait Roundup Ready seed so long as that demand continues. Mr. Deaton, Director of Monsanto's Global Cotton Business, testified to the meaning of the allegedly nefarious 75% provision in the Research Agreement between Monsanto and Delta & Pine Land Company (DPL). His testimony absolutely lays waste to the defendants' argument that the agreement forces DPL to incorporate Monsanto's Bollgard and Roundup Ready traits in three quarters of all cotton produced-allegedly restricting the output of both conventional and single trait Roundup Ready seed. Instead, the provision merely requires that DPL include Monsanto's stacked traits in at least 75% of new cotton lines offered in a given year. "The purpose of this provision [is] to ensure that DPL gives growers the option of purchasing its newest cottonseed lines in the stacked trait version."[5] Exhibit K to Monsanto's Opposition to Motion to Reconsider Preliminary Injunction. Defendants offered no contrary evidence to refute the testimony of either gentleman; accordingly, their claim that Monsanto illegally "tied" its Roundup Ready trait to its Bollgard trait fails.

b. Rule of Reason

Simply put, defendants argue that Monsanto implemented a seed cartel through its vast web of

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[5] Deaton's affidavit also declares:

> This provision does not mean that 75% of all new varieties of cottonseed sold by DPL must contain the stacked trait gene by 2003. For example, DPL is free to offer the same new line of cottonseed in several versions, each of which is called a separate variety-conventional, Roundup Ready® only, Roundup Ready®/Bollgard® stacked trait, or Bollgard® only-and still be in compliance with this agreement. Moreover, this provision contains no limitation on the quantity of seed without the stacked trait that DPL may sell.

Exhibit K at p. 2.

contractual agreements with seed partners (of which there are close to three hundred). By means of the cartel, Monsanto and its seed partners control the markets for cottonseed and soybean seed, thereby enabling Monsanto and its seed partners to charge supra-competitive price for seed. Other than the practices identified above,[6] defendants specifically attack Monsanto's "any third party" clause, which binds distributors and dealers in the downstream markets to the same restrictions Monsanto imposes on its seed partners. Defendants also target aspects of Monsanto's financial incentive program with its seed partners, dealers and distributors; they contend that the incentives effectively shield Monsanto from competition in the markets for traits, seed and glyphosate.

When conducting a rule of reason analysis, "the finder of fact must decide whether the questioned practice imposes an unreasonable restraint on competition, taking into account a variety of factors, including specific information about the relevant business, its condition before and after the restraint was imposed, and the restraint's history, nature, and effect." State Oil Co. v. Khan, 522 U.S. 3, 10, 139 L.Ed.2d 199, 118 S. Ct 275 (1997). In the event the defendants bring forward evidence that Monsanto's actions unreasonably restrained trade, the inquiry devolves to a balancing act: "The court must then balance the "anticompetitive evils of a restrictive practice ... against any procompetitive benefits or justifications within the confines of the relevant market. Proof that the defendant's activities, on balance, adversely affected competition in the appropriate product and geographic markets is essential to recovery

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[6] The Court concludes that defendants' evidence of the "tying" practices fails manifestly to demonstrate an unreasonable restraint on trade. Furthermore, to the extent that the "tying" practices might, under a tortured interpretation, be considered undue restraints, the pro-competitive justifications offered by Monsanto offset any adverse effects on competition-real or potential.

under the rule of reason." Apani Southwest, Inc. v. Coca-Cola Interprises, Inc., 300 F.3d 620, 627 (5th Cir. 200) (quoting from Doctor's Hosp. of Jefferson, Inc. v. Southeast Med. Alliance, Inc., 123 F.3d 301, 307 (5th Cir. 1997).

Having reviewed the "any third party" clause in its context, the Court concludes that it cannot reasonably be construed as an unreasonable restraint on trade. The clause simply reiterates the limited nature of the seed partners' license, limits which this Court found valid in section I.B.I.

Likewise, Monsanto's seed partner agreements do not, contrary to defendants' assertions, require that its soybean licensees "exceed ninety percent (90%) of aggregate Herbicide-Resistant Soybean Products sold ...." Defendants' experts stop short of characterizing Monsanto's financial incentive program with its seed partners as exclusive dealing arrangements-and with good reason. Monsanto does not require its seed partners to incorporate Monsanto traits in a certain percentage of all commercial seed sold. The provision is merely a financial incentive offered by Monsanto-in the event they do reach target sales levels, the seed partners receive a discount on applicable technology fees. However, seed partners are under no compulsion to reach a minimum sales level. The financial incentive agreements do not foreclose competition in a substantial share of the relevant product market(s). The same analysis applies to the Scruggses' financial incentive programs with its dealers and distributors. The defendants' § 1 rule of reason claims fail.[7]

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[7] Defendants also raise a § 1 conspiracy claim in their Counterclaim. It suffers from the same evidentiary deficiencies as the Scruggses' other § 1 claims. There being no genuine issues of material fact, Monsanto is entitled to summary judgment on the conspiracy claim as well.

3. Sherman Act § 2 Claims

Next, the defendants repackage much of the previously complained of conduct and assert it as violative of § 2 of the Sherman Act. Section 2 proscribes unlawful monopolization and attempted monopolization. 15 U.S.C. § 2. In order to prevail on their § 2 claim, defendants must prove that Monsanto possessed monopoly power in a relevant market; and that Monsanto acquired or maintained that power wilfully (by means of anti-competitive practices) instead of competition on the merits. Aspen Skiing Co. v. Aspen Highlands Skiing Corp., 472 U.S. 585, 596 n. 19, 86 L.Ed.2d 467, 105 S. Ct. 2847 (1985).

As a prerequisite to recovery, the Scruggses must first prove (define) the relevant market(s). Queen City Pizza, Inc. v. Domino's Pizza, Inc., 124 F.3d 430, 437 (3d Cir. 1997). Cross-elasticity of demand, i.e., a rise in a price for a good within a relevant product market tends to create a greater demand for other like goods in that market, is the focal inquiry in determining what products make up the relevant market. E.I. DuPont de Nemours & Co., 351 U.S. 377, 400, 100 L.Ed. 1264, 76 S. Ct. 994 (1956). Products need not be perfect substitutes to be included in the relevant market: "Interchangeability implies that one product is roughly equivalent to another for the use to which it is put; while there may be some degree of preference for the one over the other, either would work effectively." Queen City Pizza, 124 F.3d at 437.

After defining the relevant market, defendants must then prove that Monsanto wields monopoly power in the relevant market. United States v. Grinnell Corp., 384 U.S. 563, 570-71, 16 L.Ed.2d 778, 86 S. Ct. 1698 (1966). Monopoly power is defined as "the power to control prices or exclude competition." Fineman v. Armstrong World Indus., 980 F.2d 171,201 (3d Cir. 1992), cert. denied, 507 U.S. 921, 122 L.Ed.2d 677, 113 S. Ct. 1285 (1993).

Although several factors determine whether a firm possesses monopoly power in a relevant market, one of the most crucial is a firm's market share. U.S. Anchor Mfg. v. Rule Indus., 7 F.3d 986, 999 (11th Cir. 1993), cert. denied, 512 U.S. 1221 (1994); Pennsylvania Dental Assoc. v. Medical Serv. Assoc. of Penn., 745 F.2d 248, 260 (3d Cir. 1984), cert. denied, 471 U.S. 1016, 85 L.Ed.2d 303, 105 S. Ct. 2021 (1985).

Finally, defendants must show the willful acquisition or maintenance of alleged monopoly power "as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident in the relevant market. Grinnell, 384 U.S. at 570-71.

Monsanto asserts the Scruggses cannot produce sufficient proof on any of these points to withstand summary judgment. In the first instance, the relevant markets proposed by the defendants' experts conflict with those plead in the Scruggses' counterclaim. In the second instance, the experts' proposed product markets conflict with one another. Beyond that, Monsanto asserts, the defendants are incapable of showing Monsanto possesses monopoly power or that it engaged in any anticompetitive conduct. The Court agrees with Monsanto on every point.

a. Failure to Define the Relevant Product Markets

In the first instance, the Scruggses' experts offer testimony which markedly contradicts the product markets alleged in the defendants' Counterclaim. The defendants' own pleadings state that the relevant markets are:

1. The United States markets for Roundup Ready cotton seed and Roundup Ready soybean seeds;

2. The United States markets for Roundup Ready cotton technology and Roundup Ready soybean

technology and/or the relevant regional or geographically smaller submarkets within the United States; and

3. The United States and/or the relevant regional submarket for all cotton seed and soybean seeds.[8]

In marked contrast, defendants' various economic experts proffer at least six different market definitions. And those market definitions conflict with one another. Nothing in the record indicates that the defendants ever sought leave to amend their pleadings to alter their proposed market definitions; the Court refuses to countenance defendants' failure to do so by permitting proof of product markets other than those pleaded in their Counterclaim. Defendants are "saddled with their [Counterclaim] as filed in this Court." Continental Trend Resources, Inc. v. OXY USA Inc., 44 F.3d 1465, 1482 n. 19 (10th Cir. 1995). And, in a similar vein, the conflict in the experts' proposed market definitions is fatal as well: "[T]he fact that [defendant] has offered two experts who endorse . . . different market definitions seriously compromises [defendant's] claim to have defined any relevant markets at all." Bepco, Inc. v. Allied Signal, Inc., 106 F. Supp. 2d 814, 824 (M.D.N.C. 2000).

b. Failure to Demonstrate Monopoly Power

i. Market for Roundup Ready Technology

One of the proposed markets alleged in defendants' counterclaim is the market for Roundup Ready technology. This claim fails as a matter of law because the proposed market definition cannot state an antitrust

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[8] Defendants alleged a fourth relevant market: the United States market and/or the relevant regional submarket for glyphosate herbicide. Monsanto does not find fault with this proposed market definition. The Scruggses' claims that Monsanto monopolized and/or attempted to monopolize the glyphosate market are addressed infra.

claim. Monsanto holds patents on Roundup Ready cotton and soybean technology. "[A] patent is an exception to the general rule against monopolies and the right to access to a free and open market." Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806, 816, 89 L.Ed. 1381, 65 S. Ct. 993 (1945). Consequently, a patentee cannot be held liable under the antitrust laws for the natural monopoly afforded under the Patent Act. See Domed Stadium Hotel Inc. v. Holiday Inns, Inc., 732 F.2d 480, 488 (5th Cir. 1984) (refusing to define market in terms of defendant's own product). See also TV Communications Network, Inc. v. Turner Network Television, 964 F.2d 1022, 1025 (10th Cir. 1992) (dismissing complaint for failure to allege a relevant market over which TNT was capable of exercising a monopoly in violation of the antitrust laws). Defendants cannot prevail on their claim that Monsanto monopolized and/or attempted to monopolize the markets for Roundup ready soybean and cotton technology.

ii. Markets for Soybean Seed and Cottonseed

The other markets proposed by defendants are the markets for Roundup Ready soybean seed and cotton seed and the overall markets for cotton and soybean seed. The defendants' evidence is insufficient to show a triable issue of fact as to Monsanto's possession of monopoly power any of the proposed markets. As noted supra, monopoly power is the power to control prices and exclude competition. Defendants' experts never take that leap. Instead, Ian Ayers avers that Monsanto "affects" the price of soybeans and cotton. This is simply insufficient. Furthermore, Dr. Ayers' conclusion rests on a flawed basis. He, and the defendants' other experts, all assume the propriety of including the market shares of Monsanto's seed partners in determining Monsanto's share of the relevant market. No legal precedent supports such a remarkable position. Monsanto's market share must be determined solely on

the quantity of goods and/or services Monsanto sold to consumers. Anchor, 7 F.3d at 999. At best, only the market shares of Monsanto's wholly owned subsidiaries are to be included. Grinnell, 384 U.S. 563. After excluding Monsanto's seed partners, Monsanto possesses only a 25.6% market share in the United States market for soybean seeds and a 0% share in the market for cotton seeds. Such market shares are insufficient to support a § 2 claim as a matter of law. Jefferson Parish, 466 U.S. at 26-27. Accordingly, no reasonable trier of fact could conclude that Monsanto possesses monopoly power in the proposed markets for cotton and soybean seed.[9]

c. Failure to Demonstrate Anti-Competitive Conduct in Glyphosate Market

The Scruggses rely solely on the evidence discussed in relation to the defendants' § 1 claim to support their claim that Monsanto monopolized or attempted to monopolize the glyphosate market. To prevail on their claim, the defendants must be able to demonstrate that Monsanto engaged in "behavior that not only 1) tends to impair opportunities of rivals, but also 2) either does not further competition on the merits or does so in an unnecessarily restrictive way." Aspen Skiing. 472 U.S. at 605 n. 32 (quoting 3 P. Areeda & D. Turner, Antitrust Law 78 (1978)). The same rule of reason analysis applies to a monopolization claim as an unreasonable restraint of trade claim. Having concluded that none of Monsanto's conduct, e.g., its grower license agreements, grower incentive programs and its dealer incentives, could reasonably be considered anti-competitive, no further discussion is necessary. Monsanto is entitled to summary

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[9] Nor could one reasonably conclude that Monsanto had a dangerous probability of acquiring monopoly power.

judgment on the defendants' glyphosate monopolization claim.[10]

II. State Law Antitrust Claims

Defendants also seek recovery under Miss. Code Annotated § 75-21-1, et seq., for violations of Mississippi's antitrust laws. Just as Monsanto is entitled to judgment as a matter of law on defendants' federal antitrust claims, they are also entitled to summary judgment on defendants' state law antitrust claims. See Hardy Bros. Body Shops, Inc. v. State Farm Mut. Auto Ins. Co., 848 F. Supp. 1276, 1290 (S.D. Miss. 1994)("[W]here a court find no federal antitrust violations, allegations of state law antitrust violations may be dismissed as well."). See also Futurevision Cable Systems of Wiggins, Inc. v. Multivision Cable TV Corp., 789 F. Supp. 760, 780 (S.D. Miss. 1992).

Patent Misuse Defense

As the Federal Circuit recognized in McFarling, the purpose of the patent misuse doctrine is "to prevent a patentee from using the patent to obtain market benefit beyond that which inures in the statutory patent right." Mallinckrodt, Inc. v. Medipart, Inc., 976 F.2d 700, 704 (Fed. Cir. 1992). The pivotal question is, "whether, by imposing conditions that derive their force from the patent, the patentee has impermissibly broadened the scope of the patent grant with anticompetitive effect." C.R. Bard, Inc. v. M3 Sys., Inc., 157 F.3d 1340, 1372 (Fed. Cir. 1998). Where a restriction is reasonably within the patent grant, the defense cannot succeed. See Gen. Talking Pictures Corp. v. W. Elec. Co., 305 U.S. 124, 127, 83 L.Ed. 81, 59 S. Ct. 116, (1938). As the lengthy analysis, supra, shows, there is no evidence that

[10] Defendants aver in their brief to Monsanto's control over the glyphosate molecule market; however, the Scruggses' counsel conceded at oral argument that the defendants had not pursued those issues in discovery.

Monsanto used its patents to secure rights beyond the scope of its lawful patent monopoly. Defendants' patent misuse defense thus fails.

CONCLUSION

Based on the foregoing facts and analysis, the Court concludes Monsanto's Motion for Summary Judgment on Counts Six, Seven, Eight and Nine of Defendants' Counterclaim (Defendants' Antitrust Claims) [401-1] is well-taken and should be granted. An Order will issue accordingly.

This, the 30th day of June, 2004.

/s/ W. Allen Pepper, Jr.
W. ALLEN PEPPER, JR.
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI
WESTERN DIVISION

MONSANTO COMPANY PLAINTIFF

VERSUS CIVIL ACTION NO. 3:00CV161-P-A

MITCHELL SCRUGGS,
EDDIE SCRUGGS, and
SCRUGGS FAMILY FARM SUPPLY DEFENDANTS

[Entered: July 6, 2004]

ORDER

This cause is before the Court on the plaintiff's Motion for Summary Judgment on Counts Six, Seven, Eight and Nine of Defendants' Counterclaim (Defendant's Antitrust Claims) [401-1]. The Court, having considered the motion and being otherwise fully advised in the premises, finds as follows, to-wit:

In accordance with the Memorandum Opinion entered this day, the Court finds that the plaintiff's Motion is well-taken and should be sustained.

IT IS, THEREFORE, ORDERED AND ADJUDGED that the plaintiff's Motion for Summary Judgment on Counts Six, Seven, Eight and Nine of Defendants' Counterclaim (Defendant's Antitrust Claims) [401-1] is well-taken and should be, and hereby is, GRANTED.

This, the 30th day of June, 2004.

/s/ W. Allen Pepper, Jr.
W. ALLEN PEPPER, JR.
UNITED STATES DISTRICT JUDGE

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

04-1532, 05-1120, -1121

MONSANTO COMPANY

Plaintiff-Appellee,

v.

MITCHELL SCRUGGS, EDDIE SCRUGGS, SCRUGGS FARM & SUPPLIES, LLC, SCRUGGS FARM JOINT VENTURE, HES FARMS, INC., MES FARMS, INC., and MHS FARMS, INC.,

Defendants-Appellants.

[Entered: December 4, 2006]

ORDER

NOTE: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public order.

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and a response thereto having been invited by the court and filed by the Appellee, and the petition for rehearing and response, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on December 11, 2006.

Circuit Judge Moore did not participate in the vote.

FOR THE COURT,

/s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: 12/04/2006

cc: James L. Robertson
Seth P. Waxman
AMICUS CURIAE COUNSEL

MONSANTO COMPANY V SCRUGGS,
2004-1532 , 05-1120, -1121
(DCT – 00-CV-161)

United States Court of Appeals for the Federal Circuit

04-1532, 05-1120,-1121

MONSANTO COMPANY,

Plaintiff-Appellee,

v.

MITCHELL SCRUGGS, EDDIE SCRUGGS, SCRUGGS FARM & SUPPLIES, LLC, SCRUGGS FARM JOINT VENTURE, HES FARMS, INC., MES FARMS, INC., and MHS FARMS, INC.,

Defendants-Appellants.

[Entered: December 11, 2006]

Judgment

ON APPEAL from the UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF MISSISSIPPI

In CASE NO(S) 00-CV-161

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

AFFIRMED, VACATED, AND REMANDED

ENTERED BY ORDER OF THE COURT

DATED AUG 16 2006

/s/ Jan Horbaly, itw
Jan Horbaly, Clerk

ISSUED AS A MANDATE: DEC 11 2006